

LEDBETTER WATER DISTRICT  
1483 U. S. 60 West  
P. O. Box 123  
Ledbetter, Kentucky 42058

Phone: 270-898-3236  
Fax: 270-898-3496  
ledbetterwaterdi@bellsouth.net

November 17, 2008

Stephanie L. Stumbo  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40601

**RECEIVED**

DEC - 4 2008

PUBLIC SERVICE  
COMMISSION

**RE: Application for a sewer rate increase.**

Dear Ms. Stumbo:

Ledbetter Water District hereby applies for a rate increase for sewer service. Enclosed are an original and ten copies of this application and supporting documents. Excepted is the evidence of indebtedness and the CPA Audit for 2006. That collection of documents is voluminous, and one copy of each is enclosed. If you require additional copies from us, we will provide them upon request.

All customers were notified by direct mailing of the notice that is included in the application. The notice was mailed on November 26, 2008.

Sincerely,

A handwritten signature in cursive script that reads "Billy Downs". The signature is written in black ink and is positioned below the word "Sincerely,".

Billy Downs  
District Manager

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**RECEIVED**

DEC - 4 2008

PUBLIC SERVICE  
COMMISSION

**IN THE MATTER OF:**

**THE APPLICATION OF THE LEDBETTER )  
WATER DISTRICT FOR APPROVAL OF ) CASE NO. 2008-\_\_\_\_\_  
INCREASED RATES FOR SEWER SERVICE )**

**STATEMENT AND NOTICE**

Ledbetter Water District ("Ledbetter"), by counsel, pursuant to KRS 278.180, KRS 278.185 and KRS 278.190, and pursuant to 807 KAR 5:076 (Alternative Rate Filing), hereby petitions the Commission for approval of a proposed increase in its sewer rates and charges. In support of its application, Ledbetter respectfully states as follows:

1. Ledbetter is a non-profit water district that has been engaged in the collection and treatment of waste water. It currently provides sewer service to approximately 836 customers in Livingston County in Kentucky, with gross operating revenues, in 2006, of \$282,098. Ledbetter is organized under KRS Chapter 74. Ledbetter received authorization to acquire the facilities of Ledbetter Sanitation District and to supply sewer service by PSC Order in Case Number 2004-00406. Ledbetter Sanitation District had been established pursuant to KRS Chapter 220. Ledbetter's principal office, place of business, and mailing address is 1483 U.S. 60 West, P.O. Box 123, Ledbetter, Kentucky 42058.

2. The proposed increase in the rates and charges is necessary for Ledbetter to meet its operating expenses, to maintain financial viability, and to continue to provide adequate service.

3. As authorized by KRS 278.192 (1), and for the purpose of justifying the reasonableness of the proposed general increase in rates, Ledbetter has utilized an historical test period consisting of the twelve (12) consecutive calendar months ending December 31, 2006.

4. Ledbetter's annual reports are on file with the Public Service Commission as required by 807 KAR 5:006, Section 3(1).

5. Ledbetter hereby gives notice to the Public Service Commission of the adjustment of its rates to those rates set forth in Exhibit No. 1 in the filing requirements. The proposed rates will result in increased annual revenues of \$76,631 which is an increase of 25 percent over normalized revenues from sewer service of \$306,524.

6. The proposed tariffs (Exhibit No. 1) are shown in comparative form on the same sheets, side by side, and those comparative sheets are identified as Exhibit No. 2 in the filing requirements.

7. Ledbetter has complied with 807 KAR 5:011, Section 8, (2) (b) and 807 KAR 5:001, Section 10, (3) and (4), by publishing, in a newsletter going to all customers, a copy of the Notice identified as Exhibit No. 8 in the filing requirements, said publication having been mailed on November 26, 2008.

8. A copy of this filing has been mailed to the Utility Intervention and Rate Division of the Attorney General's office of the Commonwealth of Kentucky.

9. As required by 807 KAR 5:001, Section 10, (4), (f), Ledbetter will post a copy of its Customer Notice (Exhibit No. 8) at its place of business on November 26, 2008, and it will remain posted until the Public Service Commission has determined Ledbetter's rates.

10. The list of the documents filed in support of Ledbetter's application for approval of the proposed adjustment of rates or the explanation for their absence is contained in the Filing Requirement Index.

WHEREFORE, the Applicant, Ledbetter Water District requests that the Public Service Commission of Kentucky grant to the Applicant its proposal to increase its rates and charges as set forth in this Petition.

Dated at Ledbetter, Kentucky this November 25, 2008.

LEDBETTER WATER DISTRICT

By Phillip Dae  
Chairman

LAW FIRM OR ATTORNEY

By Billy N. Riley  
Billy N. Riley, Attorney  
Courthouse  
P.O. Box 97  
Smithland, Kentucky 42081  
(270) 928-2880



## Exhibit Index

<u>Exhibit Title</u>	<u>Number</u>
Proposed Tariff	1
Comparison of Proposed & Current Tariff	2
Pro Forma Financial Statements	3
Pro Forma Adjustment Descriptions / Revenue Requirements Determination	4
Billing Analysis	5
Analysis of Depreciation	6
Analysis of Average Bill Changes	7
Customer Notification	8

# **Ledbetter Sanitation District**

## Proposed Tariff

FOR: Ledbetter & Western Livingston County  
Community, Town or City

P.S.C. KY. NO. \_\_\_\_\_

SHEET NO. \_\_\_\_\_

CANCELLING P.S.C. KY. NO. \_\_\_\_\_

SHEET NO. \_\_\_\_\_

Ledbetter Sanitation District

(Name of Utility)

---

RATES

---

Monthly Rates

First 2,000 gallons

\$18.95 Minimum bill

Over 2,000 gallons

9.68 per 1,000 gallons

Unmetered Customers

\$47.99 Monthly Rate

---

DATE OF ISSUE \_\_\_\_\_

Month / Date / Year

DATE EFFECTIVE \_\_\_\_\_

Month / Date / Year

ISSUED BY \_\_\_\_\_

(Signature of Officer)

TITLE \_\_\_\_\_

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE  
COMMISSION

IN CASE NO. \_\_\_\_\_ DATED \_\_\_\_\_

# **Ledbetter Sanitation District**

Strike-Through Tariff

FOR: Ledbetter & Western Livingston County  
Community, Town or City

P.S.C. KY. NO. \_\_\_\_\_

SHEET NO. \_\_\_\_\_

CANCELLING P.S.C. KY. NO. \_\_\_\_\_

SHEET NO. \_\_\_\_\_

Ledbetter Sanitation District

(Name of Utility)

RATES

Monthly Rates

First 2,000 gallons	<del>\$15.16</del> Minimum bill	\$18.95 Minimum bill
Over 2,000 gallons	<del>7.74</del> per 1,000 gallons	9.68 per 1,000 gallons
Unmetered Customers	<del>\$38.38</del> Monthly Rate	\$47.99 Monthly Rate

DATE OF ISSUE \_\_\_\_\_  
Month / Date / Year

DATE EFFECTIVE \_\_\_\_\_  
Month / Date / Year

ISSUED BY \_\_\_\_\_  
(Signature of Officer)

TITLE \_\_\_\_\_

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE  
COMMISSION

IN CASE NO. \_\_\_\_\_ DATED \_\_\_\_\_

**Ledbetter Sanitation District**

**COST OF SERVICE STUDY**  
***25% Increase in Revenue Requirement***

## Ledbetter Sanitation District Attachment A

<b>Proforma Statement</b>	<b>2006 Revised</b>	<b>Adjustments</b>	<b>Ref.</b>	<b>Adjusted</b>
Sewer Rate Revenue	\$276,320	\$28,204		\$304,524
Other Operating Revenue	\$5,778	(\$3,778)		\$2,000
<b>Total Operating Revenue</b>	<b>\$282,098</b>	<b>\$24,426</b>	<b>A</b>	<b>\$306,524</b>
<b>Salaries</b>				
Pumping Syst. Expense (per AR)	\$34,450			
Trtmt. Syst. Labor/Expense (per AR)	\$9,332			
A&G Salaries (per AR)	\$16,763			
<b>Total Salaries</b>	<b>\$60,545</b>	<b>\$24,324</b>	<b>B</b>	<b>\$84,869</b>
Commissioner Fees	0	\$2,040	C	\$2,040
Fuel/Power-Pumping	\$23,898	0		\$23,898
Chemicals	\$9,454	0		\$9,454
Collection Syst. Exp.	0	0		0
Misc. Exp. Pumping System	\$8,333	(\$2,402)	D	\$5,931
Misc. Exp. Trtmt. & Disposal	\$5,513	0		\$5,513
Mt. of Trtmt. & Disposal Plant	\$5,920	0		\$5,920
Mt. of Other Plant Facilities	\$14,604	(\$13,777)	E	\$827
Meter Reading Expenses	\$5,419	(\$5,419)	F	0
Office Supplies and Other Exp.	\$8,808	(\$5,081)	G	\$3,727
Outside Services	\$10,119	(\$2,671)	H	\$7,448
Insurance Expense	\$7,281	0		\$7,281
Employee Pensions/Benefits	\$1,908	\$28,625	I	\$30,533
Transportation Expense	\$5,308	0		\$5,308
Misc. Gen. Expense	\$262	0		\$262
Mt. of General Plant	\$5,068	0		\$5,068
<i>Total O&amp;M Exp.</i>	<i>\$172,440</i>	<i>\$25,639</i>		<i>\$198,079</i>
Depreciation Expense	\$110,111	\$1,759	J	\$111,870
Taxes OTI	\$19,431	(\$12,782)	K	\$6,649
<b>Total Sewer Operating Exp.</b>	<b>\$301,982</b>	<b>\$14,616</b>		<b>\$316,598</b>
<i>Net Operating Income</i>	<i>(\$19,884)</i>	<i>\$9,810</i>		<i>(\$10,074)</i>
Interest Income	\$943	0		\$943
Interest on LT Debt	\$93,975	(\$60,473)	L	\$33,502
Net Income	(\$112,916)			

### Revenue Requirement Calculation:

\$ 316,598 - Adjusted Operating Expenses  
 \$ 154,136 - Debt Service Coverage  
 \$ 470,734 - Revenue Requirement  
 (\$306,524)- Normalized Revenues  
 (\$ 943)-Interest Income  
**\$ 163,267 - Justified Increase (53.26% Increase)**  
**\$ 76,631 - Requested Increase (25% Increase)**

### Explanatory Notes:

**A. Normalized Revenues** as determined by Commission Staff's billing analysis.

**B. Salaries and Wages Expense** was adjusted to reflect proforma salaries allocated 60% to water operations and 40% to sewer operations, calculated as follows:

Employee	Total 2006	½ of 2008	Annualized 2008 (2x)	Proforma
<b>Field</b>				
Field Tech		\$19,028.37	\$38,056.74	\$38,056.74
Assistant Distrib. Mgr.		\$18,316.97	\$36,633.94	\$36,633.94
Field Tech (gone)		\$3,729.08	0	0
Field Tech (hired 4/08)		\$5,493.00		\$30,160.00
Distribution Manager		\$21,725.46	\$43,450.92	\$43,450.92
<b>Total Field</b>	<b>\$150,995.30</b>	<b>\$68,292.88</b>		<b>\$148,301.60</b>
<b>Office</b>				
Office Manager		\$17,283.40		
Office Clerk		\$14,653.06		
<b>Total Office</b>	<b>\$54,932.46</b>	<b>\$31,936.46</b>	<b>\$63,872.92</b>	<b>\$63,872.92</b>
<b>Total</b>	<b>\$205,927.76</b>	<b>\$100,229.34</b>	<b>\$200,458.68</b>	<b>\$212,174.52</b>
			Water at 60%	\$127,305
			Sewer at 40%	\$84,869

C. **Commissioner Fees** totaling \$5,100 were allocated 40% to sewer operations, an adjustment of \$2,040.

D. **Miscellaneous Supplies and Expense – Pumping System** was adjusted to remove a capital expenditure of \$2,401.90, and its recovery has been allowed over a multi-year period in depreciation expense.

E. **Maintenance of Other Plant Facilities** was adjusted to remove three capital expenditures totaling \$2,323, and a capital expenditure of \$11,453.79 for the removal and replacement of three pumps. Recovery of these items has been allowed over a multi-year period in depreciation expense.

F. **Meter Reading Expenses** was adjusted to remove contract labor charges of \$5,419, as the District now reads meters with in-house employees.

G. **Office Supplies and Other Expenses** were adjusted to remove a capital expenditure of \$5,081, and its recovery has been allowed over a multi-year period in depreciation expense.

H. **Outside Services Expense** has been adjusted to remove a nonrecurring charge of \$2,671, and its recovery has been allowed over a multi-year period in depreciation expense.

I. **Employee Pensions and Benefits Expense** were adjusted to reflect a proforma expense level of \$76,331.64 at September 2008, which when allocated 40% to sewer operations equals \$30,533.

J. **Depreciation Expense** was adjusted by \$1,759 for several items as follows:

Plant Item	In Service	Life	2006 Deprec.	Pro Forma Expense	Adjustment
<b>Subtractions:</b>					
FE Myeres Pump	12/8/00	7.0	\$587.86	0	
Blower Motor	6/27/00	7.0	\$71.43	0	
1/3 of Computer	6/5/01	5.0	\$49.00	0	
Germicidal Lamp	9/18/01	7.0	\$262.16	0	
Generator	12/19/01	7.0	\$171.43	0	

Metal Detector	1/29/01	7.0	\$35.71	0	
2 Used Port. Radios	4/17/01	7.0	\$42.86	0	
½ of Tractor	2/25/02	5.0	\$697.90	0	
			<b>\$1,918.35</b>	<b>0</b>	<b>(\$1,918.35)</b>
<b>Normalized Additions</b>					
Blower - \$2,257.42	6/30/06	7.0	\$161.24	\$322.49	
Trailer 6.5 x 10 - \$460.00	5/8/06	7.0	\$43.81	\$65.71	
			<b>\$205.05</b>	<b>\$388.20</b>	<b>\$183.15</b>
<b>Staff Adjustments</b>					
Environmental S&S-iron pipe	11/9/06	40.0	\$2,401.90		\$60.05
Quality Electric - Motor	9/9/06	5.0	\$698.00		\$139.60
Riddles Plumbing -Boring	9/8/06	40.0	\$725.00		\$18.13
Quality Elec. – Dayton Fan	10/9/06	10.0	\$900.00		\$90.00
Environmental S&S-pumps	12/7/06	7.0	\$11,453.79		\$1,636.29
Computer Source		5.0	\$5,080.54		\$1,016.11
Hughes Building Inc.		5.0	\$2,670.86		\$534.17
<b>Total Adjustment</b>					<b>\$1,759.15</b>

**K. Taxes Other Than Income Expense** was adjusted to reflect FICA tax at 7.65% on pro forma employees' and commissioners' sewer salaries and wages of \$86,909.

**L. Interest Expense** was adjusted to reflect pro forma interest expense of \$33,502.

**Calculation of Debt Service Coverage** on KIA loan of \$2,326,078 (0% interest) and KACo loan of \$1 million (no principal due till 2013):

	Total payment	3-yr. avg.
<b>KIA loan</b>		
2009	\$120,432.69	
2010	\$120,200.08	\$120,200.08
2011	\$119,967.47	
<b>KACo loan</b>		
2009	\$33,502.04	
2010	\$33,502.04	
2011	\$34,803.19	
	\$101,807	\$33,935.66
<b>Total avg. payments</b>		<b>\$154,136</b>

**Tax Asset Detail 1/01/06 - 12/31/06**

FYE: 12/31/2006

Asset *	Property Description	Date In Service	Tax Cost	Sec 179 Exp Current = c	Tax Bonus Amt	Tax Prior Depreciation	Tax Current Depreciation	Tax End Depr	Tax Net Book Value	Tax Method	Tax Period
<b>Group: BUILDINGS (UA)</b>											
2	Office Bldg & Garage	12/01/96	38,604.30	0.00	0.00	9,005.11	965.11	9,970.22	28,634.08	S/L	40.0
	<b>BUILDINGS (UA)</b>		<b>38,604.30</b>	<b>0.00c</b>	<b>0.00</b>	<b>9,005.11</b>	<b>965.11</b>	<b>9,970.22</b>	<b>28,634.08</b>		
<b>Group: ENGINEER COST (UA)</b>											
8	Sewer Engineering Costs	12/01/96	283,287.05	0.00	0.00	66,099.18	7,082.18	73,181.36	210,105.69	S/L	40.0
	<b>ENGINEER COST (UA)</b>		<b>283,287.05</b>	<b>0.00c</b>	<b>0.00</b>	<b>66,099.18</b>	<b>7,082.18</b>	<b>73,181.36</b>	<b>210,105.69</b>		
<b>Group: GENERAL &amp; OFFICE EQUIPMENTS</b>											
10	Computer System	12/09/96	2,135.86	0.00	0.00	2,135.86	0.00	2,135.86	0.00	S/L	5.0
11	Hand Held Computer	1/10/97	1,000.00	0.00	0.00	1,000.00	0.00	1,000.00	0.00	S/L	5.0
13	Crawdad Boat	10/22/98	350.00	0.00	0.00	350.00	0.00	350.00	0.00	S/L	7.0
14	PH Probe	5/07/98	160.95	0.00	0.00	160.95	0.00	160.95	0.00	S/L	7.0
15	Full Body Harness	11/13/98	67.32	0.00	0.00	67.32	0.00	67.32	0.00	S/L	7.0
16	Defender 4 Gas Detector	11/13/98	929.57	0.00	0.00	929.57	0.00	929.57	0.00	S/L	7.0
17	1.0 LPM Regulator for 58 Cycle	11/13/98	129.78	0.00	0.00	129.78	0.00	129.78	0.00	S/L	7.0
18	Pelican Case Model 1520	11/13/98	90.88	0.00	0.00	90.88	0.00	90.88	0.00	S/L	7.0
19	8" Blower w/Gas Engine & Hose	11/13/98	854.99	0.00	0.00	854.99	0.00	854.99	0.00	S/L	7.0
20	7' Tripod & 60' Galv. Winch	11/13/98	2,123.72	0.00	0.00	2,123.72	0.00	2,123.72	0.00	S/L	7.0
24	Temp. Probe	5/07/98	247.00	0.00	0.00	247.00	0.00	247.00	0.00	S/L	7.0
25	Lifmore Electric Crane	9/15/99	2,539.00	0.00	0.00	2,539.00	181.29	2,539.00	0.00	S/L	7.0
26	Ramps	11/30/99	150.00	0.00	0.00	139.43	10.57	150.00	0.00	S/L	7.0
27	Backhoe	5/18/99	29,024.00	0.00	0.00	18,865.40	2,902.40	21,767.80	7,256.20	S/L	10.0
28	550 Gallon Tank	10/11/99	229.99	0.00	0.00	213.86	16.13	229.99	0.00	S/L	7.0
29	Television & VCR	8/03/99	209.92	0.00	0.00	209.92	0.00	209.92	0.00	S/L	5.0
30	Probe	12/08/99	359.00	0.00	0.00	333.29	25.71	359.00	0.00	S/L	7.0
31	Carpot Sun Screen	8/27/99	935.00	0.00	0.00	868.57	66.43	935.00	0.00	S/L	7.0
32	Toolbox	6/24/99	203.77	0.00	0.00	189.11	14.66	203.77	0.00	S/L	7.0
33	Trailer	10/26/99	850.00	0.00	0.00	789.43	60.57	850.00	0.00	S/L	7.0
35	FE Myeres Pump	12/08/00	4,115.00	0.00	0.00	3,232.86	587.86	3,820.72	294.28	S/L	7.0
36	Blower Motor	6/27/00	500.00	0.00	0.00	392.43	71.43	463.86	36.14	S/L	7.0
37	1/3 of Computer	6/05/01	495.00	0.00	0.00	446.00	49.00	495.00	0.00	S/L	5.0
38	Germicidal Lamp	9/18/01	1,835.10	0.00	0.00	1,180.16	262.16	1,442.32	392.78	S/L	7.0
39	Generator	12/19/01	1,200.00	0.00	0.00	771.43	171.43	942.86	257.14	S/L	7.0
40	Metal Detector	1/29/01	249.95	0.00	0.00	160.71	35.71	196.42	53.53	S/L	7.0
41	2 Used Portable Radios	4/17/01	300.00	0.00	0.00	192.86	42.86	235.72	64.28	S/L	7.0
42	1/2 of Tractor	2/25/02	3,489.50	0.00	0.00	2,442.90	697.90	3,140.80	348.70	S/L	5.0
46	Pump	5/04/04	948.33	0.00	0.00	270.48	135.48	405.96	542.37	S/L	7.0
47	Lift Motor	6/18/04	617.24	0.00	0.00	176.18	88.18	264.36	352.88	S/L	7.0
48	GOAT THROAT HAND-PRESSUI	1/25/05	346.53	0.00	0.00	45.38	49.50	94.88	251.65	S/L	7.0
49	ROTO-FLOAT 30" SUSPENDED F	1/10/05	269.78	0.00	0.00	38.54	38.54	77.08	192.70	S/L	7.0
55	10 Ton hitch trailer	6/22/05	6,640.00	0.00	0.00	664.00	1,328.00	1,992.00	4,648.00	S/L	5.0
56	Blower	6/30/06	2,257.42	0.00	0.00	0.00	161.24	161.24	2,096.18	S/L	7.0
57	TRAILER 6.5 X 10	5/08/06	460.00	0.00	0.00	0.00	43.81	43.81	416.19	S/L	7.0

**Tax Asset Detail 1/01/06 - 12/31/06**

FYE: 12/31/2006

Asset *	Property Description	Date In Service	Tax Cost	Sec 179 Exp Current = c	Tax Bonus Amt	Tax Prior Depreciation	Tax Current Depreciation	Tax End Depr	Tax Net Book Value	Tax Method	Tax Period
<b>Group: GENERAL &amp; OFFICE EQUIPMEN (continued)</b>											
<b>Group: LAND</b>											
	<b>GENERAL &amp; OFFICE EQUIPMEN</b>		66,314.60	0.00c	0.00	42,070.72	7,040.86	49,111.58	17,203.02		
1	Land - Hodge Landing Road	12/21/94	97,860.00	0.00	0.00	0.00	0.00	0.00	97,860.00	Land	0.0
	<b>LAND</b>		97,860.00	0.00c	0.00	0.00	0.00	0.00	97,860.00		
<b>Group: LINES (UA)</b>											
5	Sewer Distribution Lines	12/01/96	2,329,254.49	0.00	0.00	543,492.36	58,231.36	601,723.72	1,727,530.77	S/L	40.0
6	Sewer Line Changes	8/15/97	50,000.00	0.00	0.00	8,334.00	1,250.00	9,584.00	40,416.00	S/L	40.0
7	1997 Line Additions	6/30/97	39,281.44	0.00	0.00	6,874.04	982.04	7,856.08	31,425.36	S/L	40.0
21	Tap Ons	10/01/98	642.00	0.00	0.00	120.05	16.05	136.10	505.90	S/L	40.0
22	Sewer Lines	7/07/98	1,314.00	0.00	0.00	246.85	32.85	279.70	1,034.30	S/L	40.0
23	API - Lines	2/01/98	1,756.23	0.00	0.00	328.91	43.91	372.82	1,383.41	S/L	40.0
34	Sewer Lines	6/30/99	2,171.70	0.00	0.00	353.29	54.29	407.58	1,764.12	S/L	40.0
	<b>LINES (UA)</b>		2,424,419.86	0.00c	0.00	559,749.50	60,610.50	620,360.00	1,804,059.86		
<b>Group: PLANT &amp; LAGOONS (UA)</b>											
3	Plant & lagoons - Hodge Ldg	12/01/96	1,084,630.55	0.00	0.00	254,036.76	27,115.76	281,152.52	803,478.03	S/L	40.0
4	API Check #1191	2/06/97	29,543.82	0.00	0.00	6,400.60	738.60	7,139.20	22,404.62	S/L	40.0
43	New UV System	7/02/03	26,802.10	0.00	0.00	3,350.11	1,340.11	4,690.22	22,111.88	S/L	20.0
44	3 Gast Blowers, Compressor	7/22/03	1,950.00	0.00	0.00	488.00	195.00	683.00	1,267.00	S/L	10.0
45	3 Gate Valves	9/26/03	1,385.00	0.00	0.00	346.50	138.50	485.00	900.00	S/L	10.0
	<b>PLANT &amp; LAGOONS (UA)</b>		1,144,311.47	0.00c	0.00	264,621.97	29,527.97	294,149.94	850,161.53		
<b>Group: UTILITY ASSETS</b>											
9	Other Cost Inc. Interest	12/01/96	31,402.91	0.00	0.00	7,325.07	785.07	8,110.14	23,292.77	S/L	40.0
	<b>UTILITY ASSETS</b>		31,402.91	0.00c	0.00	7,325.07	785.07	8,110.14	23,292.77		
<b>Group: VEHICLES</b>											
12	Dodge Ram Truck	12/16/96	17,966.00	0.00	0.00	17,966.00	0.00	17,966.00	0.00	S/L	7.0
54	2005 Chevy pickup	5/11/05	20,499.00	0.00	0.00	2,733.20	4,099.80	6,833.00	13,666.00	S/L	5.0
	<b>VEHICLES</b>		38,465.00	0.00c	0.00	20,699.20	4,099.80	24,799.00	13,666.00		
	<b>Grand Total</b>		4,124,665.19	0.00c	0.00	969,570.75	110,111.49	1,079,682.24	3,044,982.95		

Allocation of Plant Value				
	<b>Total</b>	<b>Commodity</b>	<b>Demand</b>	<b>Customer</b>
Organization	31,403			31,403
Land & Land Rights	97,860		97,860	
Structures and Improvements	38,604		38,604	
Pumping Plant	1,144,311		1,144,311	
Collection Sewers-Force	2,329,254		2,329,254	
Collection Sewers-Gravity	95,166		95,166	
Misc Intangible Plant	283,287		283,287	
Office Furniture & Equipment	63,597			63,597
Transportation Equipment	38,465			38,465
Tools and Garage	\$2,718			\$2,718
<b>Total</b>	<b>\$4,124,665</b>		<b>\$3,988,482</b>	<b>\$136,183</b>
<b>Allocation Percentages</b>	<b>100%</b>		<b>96.7%</b>	<b>3.3%</b>

Source: PSC Annual Report 2006

Allocation of Operation & Maintenance Expense				
	Total	Commodity	Demand	Customer
Salaries - Employees	\$84,869		\$59,320	\$25,549
Employee Penisons & Benefits	30,533		21,373	9,160
Purchase Power	23,898	23,898		
Chemicals	9,454	9,454		
Misc EXP - Treat & Disposal	5,513		5,513	
Misc EXP - Pumping System	5,931		5,931	
Maintenance - Trt & Disposal	5,920		5,920	
Maintenance - Other Plant Facilities	827		827	
Office Supplies	3,727			3,727
Transportation Expense	5,308		5,308	
Commissioner Fees	\$2,040			2,040
Contract Services-Outside Services	7,448			7,448
Insurance Expense	7,281			7,281
Misc Expense	262			262
Taxes other than Income	6,649			6,649
Maintenance - General Plant	5,068		5,068	
Total	\$204,728	\$33,352	\$109,260	\$62,116
Less Commodity	(\$33,352)			
	\$171,376			
Allocation Percentages	100%		64%	36%

Source: Field Review 2008

Allocation of Cost of Service				
	Total	Commodity	Demand	Customer
Operation & Maintenance	\$204,728	\$33,352	\$109,260	\$62,116
Debt Service <sup>1</sup>	154,136		149,050	5,086
Depreciation <sup>2</sup>	28,177		27,247	930
General Water Service Cost	387,041	\$33,352	285,557	68,132
Less:				
Other Operating Revenue	(2,000)			(2,000)
Interest Income	(943)			(943)
<b>Revenue Required from Rates</b>	<b>\$384,098</b>	<b>\$33,352</b>	<b>\$285,557</b>	<b>\$65,189</b>
<b>NOTES:</b>				
<sup>1</sup> Debt Service has been allocated on the percentage from the Plant Allocation Sheet.				
<sup>2</sup> Depreciation has been adjusted to reflect a 25% increase in rates as requested by the Commissioners of Ledbetter Water & Sanitation District. Further Depreciation has been allocated on a the percentage from the Plant Allocation Sheet				

# Ledbetter Sanitation District

## Billing Analysis

### Current Rates

Billing Analysis for: **Ledbetter Sanitation District**  
 Test Period From: **January through December 2006**

	USAGE	BILLS	GALLONS	FIRST 2,000	OVER 2,000
FIRST	2,000	2532	3,003,740	3,003,740	
OVER	2,000	7143	34,085,116	14,286,000	19,799,116
		9675	37,088,856	17,289,740	19,799,116

#### REVENUE BY RATE INCREMENT

		BILLS	GALLONS	RATE	REVENUE
FIRST	2,000	9675	17,289,740	\$15.16	\$146,673
OVER	2,000		19,799,116	7.74	\$153,245
NON METERED	CUSTOMERS	120	0	38.38	\$4,606
	TOTAL	9795	37,088,856		\$304,524

# Ledbetter Sanitation District

## Billing Analysis

### Proposed Rates

25% Across the Board Increase of the current rates

Billing Analysis for: **Ledbetter Sanitation District**  
 Test Period From: **January through December 2006**

	USAGE	BILLS	GALLONS	FIRST 2,000	OVER 2,000
FIRST	2,000	2532	3,003,740	3,003,740	
OVER	2,000	7143	34,085,116	14,286,000	19,799,116
		9675	37,088,856	17,289,740	19,799,116

#### REVENUE BY RATE INCREMENT

		BILLS	GALLONS	RATE	REVENUE
FIRST	2,000	9675	17,289,740	\$18.95	\$183,341
OVER	2,000		19,799,116	9.68	\$191,655
NON METERED	CUSTOMERS	120	0	47.99	\$5,759
	TOTAL	9795	37,088,856		\$380,755

Comparison of Rates				
Gallon Usage	Current Rates	Cost of Service Rates	Increase	Percentage
2,000	15.16	18.95	3.79	25.0
3,000	22.90	28.63	5.73	25.0
4,000	30.64	38.31	7.67	25.0
5,000	38.38	47.99	9.61	25.0
6,000	46.12	57.67	11.55	25.0
7,000	53.86	67.35	13.49	25.0
8,000	61.60	77.03	15.43	25.0
9,000	69.34	86.71	17.37	25.0
10,000	77.08	96.39	19.31	25.0
15,000	115.78	144.79	29.01	25.0
20,000	154.48	193.19	38.71	25.0
25,000	193.18	241.59	48.41	25.0
30,000	231.88	289.99	58.11	25.0
40,000	309.28	386.79	77.51	25.0
50,000	386.68	483.59	96.91	25.0
100,000	773.68	967.59	193.91	25.0
250,000	1934.68	2419.59	484.91	25.0

Comparison of Rates		
Block Usage	Current Rates	Cost of Service Rates
First 2,000 Gallons	15.16	18.99
Over 2,000 Gallons	7.74	9.68

Effect on Customer Average Bill – 5,000 Gallons Usage			
Current Rates	Proposed Rates	Amount Increase	% Increase
\$38.38	\$47.99	\$9.61	25.0

# **Ledbetter Sanitation District**

Public Notice

## NOTICE

Ledbetter Sanitation District has filed an application with the Public Service Commission to increase its rates for sewer service. The proposed effective date of the change is January 1, 2009.

<u>Monthly Rates</u>	<u>Current</u>	<u>Proposed</u>	<u>% Increase</u>
First 2,000 gallons	\$15.16	\$18.95 Minimum bill	25.0%
Over 2,000 gallons	7.74	9.68 per 1,000 gallons	25.1%
Unmetered Customers	\$38.38	\$47.99 Monthly Rate	25.0%

The monthly bill for a customer using an average of 5,000 gallons per month will increase \$9.61 from \$38.38 to \$47.99 or 25.0%.

The rates contained in this notice are the rates proposed by Ledbetter Sanitation District. However, the Public Service Commission may order rates to be charged that differ from these proposed rates. Such action may result in rates for customers other than the rates included in this notice.

Any corporation, association, body politic or person may request leave to intervene by motion within 30 days after notice of the proposed rate changes is given. The motion shall be submitted to the Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40602, and shall set forth the grounds for the request including the status and interest of the party. Intervenors may obtain copies of the application and testimony by contacting Ledbetter Sanitation District at 1483 US HWY 60 West, Ledbetter, KY 42058 or the Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40602, (502) 564-3940. A copy of the application and testimony shall be available for public inspection at the utility's offices.

Ledbetter Sanitation District

**NEWSLETTER**

**Public Notice of Rate Increase  
Copy mailed to every customer on 11/26/2008**

Ledbetter Water District  
1483 U. S. 60 West  
PO Box 123  
Ledbetter, KY 42058

PRESORTED  
FIRST-CLASS MAIL  
U.S. POSTAGE PAID  
LEDBETTER, KY  
42058  
PERMIT # 9

**LEDBETTER WATER DISTRICT**

**SEWER SERVICE**



**EVIDENCE OF INDEBTEDNESS**

**LEDBETTER SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2006**

Subsequent to year end the note restructuring was completed and new repayment schedules were negotiated. The ultimate result of the restructure is a note to KIA and a capital lease to the KACo with details as follows:

	Kentucky Association of Counties (KACo)	Kentucky Infrastructure Authority (KIA)
Principal amount borrowed	\$ 1,000,000	\$ 2,326,078
Interest rate	5.032%	Zero
Term	364 months	240 months
Paid	Monthly	Semi Annually
Principal payments begin	2/20/2013	6/1/2007

**NOTE D – NOTES PAYABLE, (Continued)**

The new capital lease to KACo capitalizes a portion of the interest calculation for the first 59 payments, reducing the monthly payments required to be paid by the district for those months.

The following is a schedule of future minimum lease and principal requirements for the capital lease and note shown above.

<u>Year Ended</u>	<u>KACo Lease</u>	<u>KIA Note</u>	<u>Total Requirements</u>
2007	\$ 6,362	\$ 116,304	\$ 122,666
2008	23,000	116,304	139,304
2009	33,502	116,304	149,806
2010	33,502	116,304	149,806
2011	34,803	116,304	151,107
2012	35,000	116,304	151,304
Thereafter	2,082,675	1,628,254	3,710,929
	<u>\$ 2,248,844</u>	<u>\$ 2,326,078</u>	<u>\$ 4,574,922</u>

The note and the lease are secured and by an exclusive pledge of a fixed portion of gross revenues of the District's system as now or hereafter constituted, and additionally secured by a statutory lien on the District's system.

Ledbetter Sanitation District

Debt Payment Structure  
KIA and Kentucky Association of Counties

KENTUCKY INFRASTRUCTURE AUTHORITY  
 REPAYMENT SCHEDULE  
 LOAN #A06-01  
 Leebetter Water and Sewer District  
 FINAL

0.00% Rate  
 \$58,151.95 P & I Calculation

Payment Date	Principal Due	Interest Due	Interest Rate	Principal & Interest	Servicing Fee	Credit Due	Total Payment	Principal Balance	R & M Reserve	Total Reserve
06/01/07	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$2,326.08	\$0.00	\$60,478.03	\$2,267,926.05	\$0.00	\$0.00
12/01/07	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$2,267.93	\$0.00	\$60,419.88	\$2,209,774.10	\$22,000.00	\$22,000.00
06/01/08	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$2,209.77	\$0.00	\$60,361.72	\$2,151,622.15	\$0.00	\$22,000.00
12/01/08	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$2,151.62	\$0.00	\$60,303.57	\$2,093,470.20	\$22,000.00	\$44,000.00
06/01/09	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$2,093.47	\$0.00	\$60,245.42	\$2,035,318.25	\$0.00	\$66,000.00
12/01/09	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$2,035.32	\$0.00	\$60,187.27	\$1,977,166.30	\$0.00	\$66,000.00
06/01/10	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$1,977.17	\$0.00	\$60,129.12	\$1,919,014.35	\$22,000.00	\$88,000.00
12/01/10	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$1,919.01	\$0.00	\$60,070.96	\$1,860,862.40	\$0.00	\$88,000.00
06/01/11	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$1,860.86	\$0.00	\$60,012.81	\$1,802,710.45	\$22,000.00	\$110,000.00
12/01/11	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$1,802.71	\$0.00	\$59,954.66	\$1,744,558.50	\$0.00	\$132,000.00
06/01/12	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$1,744.56	\$0.00	\$59,896.51	\$1,686,406.55	\$0.00	\$132,000.00
12/01/12	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$1,686.41	\$0.00	\$59,838.36	\$1,628,254.60	\$22,000.00	\$154,000.00
06/01/13	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$1,628.25	\$0.00	\$59,780.20	\$1,570,102.65	\$0.00	\$176,000.00
12/01/13	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$1,570.10	\$0.00	\$59,722.05	\$1,511,950.70	\$22,000.00	\$198,000.00
06/01/14	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$1,511.95	\$0.00	\$59,663.90	\$1,453,798.75	\$0.00	\$176,000.00
12/01/14	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$1,453.80	\$0.00	\$59,605.75	\$1,395,646.80	\$22,000.00	\$176,000.00
06/01/15	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$1,395.65	\$0.00	\$59,547.60	\$1,337,494.85	\$0.00	\$198,000.00
12/01/15	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$1,337.49	\$0.00	\$59,489.44	\$1,279,342.90	\$22,000.00	\$198,000.00
06/01/16	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$1,279.34	\$0.00	\$59,431.29	\$1,221,190.95	\$0.00	\$220,000.00
12/01/16	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$1,221.19	\$0.00	\$59,373.14	\$1,163,039.00	\$0.00	\$220,000.00
06/01/17	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$1,163.04	\$0.00	\$59,314.99	\$1,104,887.05	\$0.00	\$220,000.00
12/01/17	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$1,104.89	\$0.00	\$59,256.84	\$1,046,735.10	\$0.00	\$220,000.00
06/01/18	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$988.58	\$0.00	\$59,198.69	\$988,583.15	\$0.00	\$220,000.00
12/01/18	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$930.43	\$0.00	\$59,140.53	\$930,431.20	\$0.00	\$220,000.00
06/01/19	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$872.28	\$0.00	\$59,082.38	\$872,279.25	\$0.00	\$220,000.00
12/01/19	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$814.13	\$0.00	\$59,024.23	\$814,127.30	\$0.00	\$220,000.00
06/01/20	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$755.98	\$0.00	\$58,966.08	\$755,975.35	\$0.00	\$220,000.00
12/01/20	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$697.82	\$0.00	\$58,907.93	\$697,823.40	\$0.00	\$220,000.00
06/01/21	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$639.67	\$0.00	\$58,849.77	\$639,671.45	\$0.00	\$220,000.00
12/01/21	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$581.52	\$0.00	\$58,791.62	\$581,519.50	\$0.00	\$220,000.00
06/01/22	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$523.37	\$0.00	\$58,733.47	\$523,367.55	\$0.00	\$220,000.00
12/01/22	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$465.22	\$0.00	\$58,675.32	\$465,215.60	\$0.00	\$220,000.00
06/01/23	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$407.06	\$0.00	\$58,617.17	\$407,063.65	\$0.00	\$220,000.00
12/01/23	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$348.91	\$0.00	\$58,559.01	\$348,911.70	\$0.00	\$220,000.00
06/01/24	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$290.76	\$0.00	\$58,500.86	\$290,759.75	\$0.00	\$220,000.00
12/01/24	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$232.61	\$0.00	\$58,442.71	\$232,607.80	\$0.00	\$220,000.00
06/01/25	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$174.46	\$0.00	\$58,384.56	\$174,455.85	\$0.00	\$220,000.00
12/01/25	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$116.30	\$0.00	\$58,326.41	\$116,303.90	\$0.00	\$220,000.00
06/01/26	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$58.15	\$0.00	\$58,268.25	\$58,151.95	\$0.00	\$220,000.00
12/01/26	\$58,151.95	\$0.00	0.0000%	\$58,151.95	\$0.00	\$0.00	\$58,210.10	\$0.00	\$0.00	\$220,000.00
<b>Totals</b>	<b>\$2,326,078.00</b>	<b>\$0.00</b>		<b>\$2,326,078.00</b>	<b>\$47,684.60</b>	<b>\$0.00</b>	<b>\$2,373,762.60</b>		<b>\$220,000.00</b>	

Kentucky Association of Counties - 2007-B Pool

EXHIBIT B - SCHEDULE OF BASE RENTALS

LIVINGSTON COUNTY #4 - LODDATER SEWER PROJECT REFINANCE (09 POOL)  
Variable Rate Lease (Closing)

Date	Base Rental Principal	Total Rental Interest *	Adjustments	Adjustment Description	Total Base Rental **	Total FY Debt Service
11/8/2007						
11/20/2007		3,484.82			3,484.82	
12/20/2007		4,918.01	(2,048.88)	Cap Int @3.96%	2,869.13	
1/20/2008		4,918.01	(2,048.88)	Cap Int @3.96%	2,869.13	
2/20/2008		4,814.78	(2,048.88)	Cap Int @3.96%	2,765.90	
3/20/2008		4,918.01	(2,048.88)	Cap Int @3.96%	2,869.13	
4/20/2008		4,777.77	(2,048.88)	Cap Int @3.96%	2,728.89	
5/20/2008		4,928.80	(2,048.88)	Cap Int @3.96%	2,879.92	
6/20/2008		4,777.77	(2,048.88)	Cap Int @3.96%	2,728.89	22,899.72
7/20/2008		4,828.80	(2,048.88)	Cap Int @3.96%	2,779.92	
8/20/2008		4,828.80	(2,048.88)	Cap Int @3.96%	2,779.92	
9/20/2008		4,777.77	(2,048.88)	Cap Int @3.96%	2,728.89	
10/20/2008		4,828.80	(2,048.88)	Cap Int @3.96%	2,779.92	
11/20/2008		4,777.77	(2,048.88)	Cap Int @3.96%	2,728.89	
12/20/2008		4,928.80	(2,048.88)	Cap Int @3.96%	2,879.92	
1/20/2009		4,928.80	(2,048.88)	Cap Int @3.96%	2,879.92	
2/20/2009		4,475.70	(2,048.88)	Cap Int @3.96%	2,426.82	
3/20/2009		4,928.80	(2,048.88)	Cap Int @3.96%	2,879.92	
4/20/2009		4,777.77	(2,048.88)	Cap Int @3.96%	2,728.89	
5/20/2009		4,928.80	(2,048.88)	Cap Int @3.96%	2,879.92	
6/20/2009		4,777.77	(2,048.88)	Cap Int @3.96%	2,728.89	33,502.04
7/20/2009		4,828.80	(2,048.88)	Cap Int @3.96%	2,779.92	
8/20/2009		4,828.80	(2,048.88)	Cap Int @3.96%	2,779.92	
9/20/2009		4,777.77	(2,048.88)	Cap Int @3.96%	2,728.89	
10/20/2009		4,928.80	(2,048.88)	Cap Int @3.96%	2,879.92	
11/20/2009		4,777.77	(2,048.88)	Cap Int @3.96%	2,728.89	
12/20/2009		4,928.80	(2,048.88)	Cap Int @3.96%	2,879.92	
1/20/2010		4,928.80	(2,048.88)	Cap Int @3.96%	2,879.92	
2/20/2010		4,475.70	(2,048.88)	Cap Int @3.96%	2,426.82	
3/20/2010		4,928.80	(2,048.88)	Cap Int @3.96%	2,879.92	
4/20/2010		4,777.77	(2,048.88)	Cap Int @3.96%	2,728.89	
5/20/2010		4,928.80	(2,048.88)	Cap Int @3.96%	2,879.92	
6/20/2010		4,777.77	(2,048.88)	Cap Int @3.96%	2,728.89	33,502.04
7/20/2010		4,928.80	(2,048.88)	Cap Int @3.96%	2,879.92	
8/20/2010		5,050.50	(2,048.88)	Cap Int @3.96%	3,001.62	
9/20/2010		4,889.47	(2,048.88)	Cap Int @3.96%	2,840.59	
10/20/2010		5,050.50	(2,048.88)	Cap Int @3.96%	3,001.62	
11/20/2010		4,889.47	(2,048.88)	Cap Int @3.96%	2,840.59	
12/20/2010		5,050.50	(2,048.88)	Cap Int @3.96%	3,001.62	
1/20/2011		5,050.50	(2,048.88)	Cap Int @3.96%	3,001.62	
2/20/2011		4,597.40	(2,048.88)	Cap Int @3.96%	2,548.52	
3/20/2011		5,050.50	(2,048.88)	Cap Int @3.96%	3,001.62	
4/20/2011		4,887.09	(2,048.88)	Cap Int @3.96%	2,838.21	
5/20/2011		5,037.71	(2,048.88)	Cap Int @3.96%	2,988.83	
6/20/2011		4,887.09	(2,048.88)	Cap Int @3.96%	2,838.21	34,803.19
7/20/2011		5,037.71	(2,048.88)	Cap Int @3.96%	2,988.83	
8/20/2011		5,037.71	(2,048.88)	Cap Int @3.96%	2,988.83	
9/20/2011		4,887.09	(2,048.88)	Cap Int @3.96%	2,838.21	
10/20/2011		5,037.71	(2,048.88)	Cap Int @3.96%	2,988.83	
11/20/2011		4,887.09	(2,048.88)	Cap Int @3.96%	2,838.21	
12/20/2011		5,037.71	(2,048.88)	Cap Int @3.96%	2,988.83	
1/20/2012		5,037.71	(2,048.88)	Cap Int @3.96%	2,988.83	
2/20/2012		4,738.46	(2,048.88)	Cap Int @3.96%	2,689.58	
3/20/2012		5,037.71	(2,048.88)	Cap Int @3.96%	2,988.83	
4/20/2012		4,889.47	(2,048.88)	Cap Int @3.96%	2,840.59	
5/20/2012		5,050.50	(2,048.88)	Cap Int @3.96%	3,001.62	
6/20/2012		4,889.47	(2,048.88)	Cap Int @3.96%	2,840.59	35,000.00
7/20/2012		5,050.50	(2,048.88)	Cap Int @3.96%	3,001.62	
8/20/2012		5,050.50	(2,048.88)	Cap Int @3.96%	3,001.62	
9/20/2012		4,889.47	(2,048.88)	Cap Int @3.96%	2,840.59	
10/20/2012		5,050.50	(2,048.88)	Cap Int @3.96%	3,001.62	
11/20/2012		4,889.47			4,889.47	
12/20/2012		5,050.50			5,050.50	
1/20/2013		5,050.50			5,050.50	
2/20/2013	25,000.00	4,597.40			29,597.40	
3/20/2013		4,944.88			4,944.88	
4/20/2013		4,788.84			4,788.84	
5/20/2013		4,844.88			4,844.88	
6/20/2013		4,788.84			4,788.84	75,936.43
7/20/2013		4,944.88			4,944.88	
8/20/2013		4,844.88			4,844.88	
9/20/2013		4,788.84			4,788.84	
10/20/2013		4,944.88			4,944.88	
11/20/2013		4,788.84			4,788.84	
12/20/2013		4,944.88			4,944.88	
1/20/2014		4,944.88			4,944.88	
2/20/2014	25,000.00	4,501.15			29,501.15	
3/20/2014		4,838.87			4,838.87	
4/20/2014		4,694.21			4,694.21	

Pa- 1-8-08 9,228.92  
4-12-08 256590 #431A

\* Interest computed at rate shown, actual rate will vary over term of Lease.

**Kentucky Association of Counties - 2007-B Pool**

**EXHIBIT B - SCHEDULE OF BASE RENTALS**

Livingston County #4 - Ladbetter Sewer Project Refinance ('88 Pool)  
Variable Rate Lease (Closing)

Date	Base Rental Principal	Total Rental (Interest)*	Adjustments	Adjustment Deferral	Total Base Rental**	Total FY Debt Service
6/20/2014	-	4,838.87	-	-	4,838.87	
8/20/2014	-	4,894.21	-	-	4,894.21	82,684.39
7/20/2014	-	4,838.87	-	-	4,838.87	
8/20/2014	-	4,838.87	-	-	4,838.87	
9/20/2014	-	4,894.21	-	-	4,894.21	
10/20/2014	-	4,838.87	-	-	4,838.87	
11/20/2014	-	4,894.21	-	-	4,894.21	
12/20/2014	-	4,838.87	-	-	4,838.87	
1/20/2015	-	4,838.87	-	-	4,838.87	
2/20/2015	25,000.00	4,404.50	-	-	29,404.50	
3/20/2015	-	4,733.04	-	-	4,733.04	
4/20/2015	-	4,579.97	-	-	4,579.97	
5/20/2015	-	4,721.06	-	-	4,721.06	91,601.71
6/20/2015	-	4,579.97	-	-	4,579.97	
7/20/2015	-	4,721.06	-	-	4,721.06	
8/20/2015	-	4,721.06	-	-	4,721.06	
9/20/2015	-	4,579.97	-	-	4,579.97	
10/20/2015	-	4,721.06	-	-	4,721.06	
11/20/2015	-	4,579.97	-	-	4,579.97	
12/20/2015	-	4,721.06	-	-	4,721.06	
1/20/2016	-	4,721.06	-	-	4,721.06	
2/20/2016	30,000.00	4,438.89	-	-	34,438.89	
3/20/2016	-	4,594.41	-	-	4,594.41	
4/20/2016	-	4,488.43	-	-	4,488.43	
5/20/2016	-	4,608.07	-	-	4,608.07	85,341.47
6/20/2016	-	4,469.43	-	-	4,469.43	
7/20/2016	-	4,606.07	-	-	4,606.07	
8/20/2016	-	4,606.07	-	-	4,606.07	
9/20/2016	-	4,469.43	-	-	4,469.43	
10/20/2016	-	4,608.07	-	-	4,608.07	
11/20/2016	-	4,469.43	-	-	4,469.43	
12/20/2016	-	4,606.07	-	-	4,606.07	
1/20/2017	-	4,606.07	-	-	4,606.07	
2/20/2017	30,000.00	4,193.13	-	-	34,193.13	
3/20/2017	-	4,479.08	-	-	4,479.08	
4/20/2017	-	4,348.28	-	-	4,348.28	
5/20/2017	-	4,479.08	-	-	4,479.08	83,808.02
6/20/2017	-	4,348.28	-	-	4,348.28	
7/20/2017	-	4,479.08	-	-	4,479.08	
8/20/2017	-	4,479.08	-	-	4,479.08	
9/20/2017	-	4,348.28	-	-	4,348.28	
10/20/2017	-	4,479.08	-	-	4,479.08	
11/20/2017	-	4,348.28	-	-	4,348.28	
12/20/2017	-	4,479.08	-	-	4,479.08	
1/20/2018	-	4,479.08	-	-	4,479.08	
2/20/2018	30,000.00	4,077.63	-	-	34,077.63	
3/20/2018	-	4,352.11	-	-	4,352.11	
4/20/2018	-	4,222.12	-	-	4,222.12	
5/20/2018	-	4,352.11	-	-	4,352.11	82,312.01
6/20/2018	-	4,222.12	-	-	4,222.12	
7/20/2018	-	4,352.11	-	-	4,352.11	
8/20/2018	-	4,352.11	-	-	4,352.11	
9/20/2018	-	4,222.12	-	-	4,222.12	
10/20/2018	-	4,352.11	-	-	4,352.11	
11/20/2018	-	4,222.12	-	-	4,222.12	
12/20/2018	-	4,352.11	-	-	4,352.11	
1/20/2019	-	4,352.11	-	-	4,352.11	
2/20/2019	35,000.00	3,982.13	-	-	38,982.13	
3/20/2019	-	4,203.98	-	-	4,203.98	
4/20/2019	-	4,088.15	-	-	4,088.15	
5/20/2019	-	4,183.33	-	-	4,183.33	88,700.51
6/20/2019	-	4,068.15	-	-	4,068.15	
7/20/2019	-	4,183.33	-	-	4,183.33	
8/20/2019	-	4,183.33	-	-	4,183.33	
9/20/2019	-	4,068.15	-	-	4,068.15	
10/20/2019	-	4,183.33	-	-	4,183.33	
11/20/2019	-	4,068.15	-	-	4,068.15	
12/20/2019	-	4,183.33	-	-	4,183.33	
1/20/2020	-	4,183.33	-	-	4,183.33	
2/20/2020	35,000.00	3,842.97	-	-	38,842.97	
3/20/2020	-	4,045.57	-	-	4,045.57	
4/20/2020	-	3,934.76	-	-	3,934.76	
5/20/2020	-	4,055.82	-	-	4,055.82	84,018.53
6/20/2020	-	3,934.76	-	-	3,934.76	
7/20/2020	-	4,055.82	-	-	4,055.82	
8/20/2020	-	4,055.82	-	-	4,055.82	
9/20/2020	-	3,934.76	-	-	3,934.76	
10/20/2020	-	4,055.82	-	-	4,055.82	
11/20/2020	-	3,934.76	-	-	3,934.76	

\* Interest computed at rate shown, actual rate will vary over term of Lease.

Kentucky Association of Counties - 2007-B Pool

EXHIBIT B - SCHEDULE OF BASE RENTALS

LIVINGSTON COUNTY #4 - Ledbetter Sewer Project Refinance (789 Pool)  
Variable Rate Lease (Closing)

Date	Base Rental Principal	Total Rental Interest *	Adjustments	Adjustment Description	Total Base Rental **	Total FY Debt Service
12/20/2020	-	4,055.82	-		4,055.82	
1/20/2021	-	4,055.82	-		4,055.82	
2/20/2021	35,000.00	3,592.53	-		38,592.53	
3/20/2021	-	3,907.68	-		3,907.68	
4/20/2021	-	3,781.08	-		3,781.08	
5/20/2021	-	3,907.68	-		3,907.68	
6/20/2021	-	3,781.08	-		3,781.08	82,258.77
7/20/2021	-	3,907.68	-		3,907.68	
8/20/2021	-	3,907.68	-		3,907.68	
9/20/2021	-	3,781.08	-		3,781.08	
10/20/2021	-	3,907.68	-		3,907.68	
11/20/2021	-	3,781.08	-		3,781.08	
12/20/2021	-	3,907.68	-		3,907.68	
1/20/2022	-	3,907.68	-		3,907.68	
2/20/2022	40,000.00	3,557.88	-		43,557.88	
3/20/2022	-	3,738.37	-		3,738.37	
4/20/2022	-	3,626.87	-		3,626.87	
5/20/2022	-	3,738.37	-		3,738.37	85,408.82
6/20/2022	-	3,626.87	-		3,626.87	
7/20/2022	-	3,738.37	-		3,738.37	
8/20/2022	-	3,738.37	-		3,738.37	
9/20/2022	-	3,626.87	-		3,626.87	
10/20/2022	-	3,738.37	-		3,738.37	
11/20/2022	-	3,626.87	-		3,626.87	
12/20/2022	-	3,738.37	-		3,738.37	
1/20/2023	-	3,738.37	-		3,738.37	
2/20/2023	40,000.00	3,403.87	-		43,403.87	
3/20/2023	-	3,569.07	-		3,569.07	
4/20/2023	-	3,453.95	-		3,453.95	
5/20/2023	-	3,560.08	-		3,560.08	83,268.48
6/20/2023	-	3,453.95	-		3,453.95	
7/20/2023	-	3,560.08	-		3,560.08	
8/20/2023	-	3,560.08	-		3,560.08	
9/20/2023	-	3,453.95	-		3,453.95	
10/20/2023	-	3,560.08	-		3,560.08	
11/20/2023	-	3,453.95	-		3,453.95	
12/20/2023	-	3,560.08	-		3,560.08	
1/20/2024	-	3,560.08	-		3,560.08	
2/20/2024	40,000.00	3,247.84	-		43,247.84	
3/20/2024	-	3,391.18	-		3,391.18	
4/20/2024	-	3,288.46	-		3,288.46	
5/20/2024	-	3,399.78	-		3,399.78	81,443.80
6/20/2024	-	3,288.46	-		3,288.46	
7/20/2024	-	3,399.78	-		3,399.78	
8/20/2024	-	3,399.78	-		3,399.78	
9/20/2024	-	3,288.46	-		3,288.46	
10/20/2024	-	3,399.78	-		3,399.78	
11/20/2024	-	3,288.46	-		3,288.46	
12/20/2024	-	3,399.78	-		3,399.78	
1/20/2025	-	3,399.78	-		3,399.78	
2/20/2025	45,000.00	3,055.87	-		48,055.87	
3/20/2025	-	3,209.28	-		3,209.28	
4/20/2025	-	3,113.73	-		3,113.73	
5/20/2025	-	3,209.28	-		3,209.28	
6/20/2025	-	3,113.73	-		3,113.73	84,337.51
7/20/2025	-	3,209.28	-		3,209.28	
8/20/2025	-	3,209.28	-		3,209.28	
9/20/2025	-	3,113.73	-		3,113.73	
10/20/2025	-	3,209.28	-		3,209.28	
11/20/2025	-	3,113.73	-		3,113.73	
12/20/2025	-	3,209.28	-		3,209.28	
1/20/2026	-	3,209.28	-		3,209.28	
2/20/2026	45,000.00	2,922.50	-		47,922.50	
3/20/2026	-	3,018.82	-		3,018.82	
4/20/2026	-	2,929.00	-		2,929.00	
5/20/2026	-	3,018.82	-		3,018.82	82,092.10
6/20/2026	-	2,929.00	-		2,929.00	
7/20/2026	-	3,018.82	-		3,018.82	
8/20/2026	-	3,018.82	-		3,018.82	
9/20/2026	-	2,929.00	-		2,929.00	
10/20/2026	-	3,018.82	-		3,018.82	
11/20/2026	-	2,929.00	-		2,929.00	
12/20/2026	-	3,018.82	-		3,018.82	
1/20/2027	-	3,018.82	-		3,018.82	
2/20/2027	50,000.00	2,749.36	-		52,749.36	
3/20/2027	-	2,807.19	-		2,807.19	
4/20/2027	-	2,716.90	-		2,716.90	
5/20/2027	-	2,800.12	-		2,800.12	
6/20/2027	-	2,716.90	-		2,716.90	84,742.57

\* Interest computed at rate shown, actual rate will vary over term of Lease.

**Kentucky Association of Counties - 2007-B Pool**

**EXHIBIT B - SCHEDULE OF BASE RENTALS**

LIVINGSTON COUNTY #4 - Leebetter Sewer Project Refinance ('02 Pool)  
Variable Rate Lease (Closing)

Date	Base Rental Principal	Total Rental (Interest)**	Adjustments	Adjustment Description	Total Base Rental**	Total FY Debt Service
7/20/2027	-	2,800.12	-		2,800.12	
8/20/2027	-	2,800.12	-		2,800.12	
9/20/2027	-	2,710.60	-		2,710.60	
10/20/2027	-	2,800.12	-		2,800.12	
11/20/2027	-	2,710.60	-		2,710.60	
12/20/2027	-	2,800.12	-		2,800.12	
1/20/2028	-	2,800.12	-		2,800.12	
2/20/2028	50,000.00	2,633.70	-		52,633.70	
3/20/2028	-	2,689.01	-		2,689.01	
4/20/2028	-	2,510.48	-		2,510.48	
5/20/2028	-	2,695.84	-		2,695.84	
6/20/2028	-	2,510.48	-		2,510.48	82,289.61
7/20/2028	-	2,595.84	-		2,595.84	
8/20/2028	-	2,595.84	-		2,595.84	
9/20/2028	-	2,510.48	-		2,510.48	
10/20/2028	-	2,695.84	-		2,695.84	
11/20/2028	-	2,510.48	-		2,510.48	
12/20/2028	-	2,696.84	-		2,696.84	
1/20/2029	-	2,696.84	-		2,696.84	
2/20/2029	55,000.00	2,362.75	-		57,362.75	
3/20/2029	-	2,362.75	-		2,362.75	
4/20/2029	-	2,292.70	-		2,292.70	
5/20/2029	-	2,362.75	-		2,362.75	
6/20/2029	-	2,292.70	-		2,292.70	94,669.90
7/20/2029	-	2,362.75	-		2,362.75	
8/20/2029	-	2,362.75	-		2,362.75	
9/20/2029	-	2,292.70	-		2,292.70	
10/20/2029	-	2,362.75	-		2,362.75	
11/20/2029	-	2,292.70	-		2,292.70	
12/20/2029	-	2,362.75	-		2,362.75	
1/20/2030	-	2,362.75	-		2,362.75	
2/20/2030	55,000.00	2,162.60	-		57,162.60	
3/20/2030	-	2,129.96	-		2,129.96	
4/20/2030	-	2,086.92	-		2,086.92	
5/20/2030	-	2,129.96	-		2,129.96	
6/20/2030	-	2,066.62	-		2,066.62	81,946.61
7/20/2030	-	2,129.96	-		2,129.96	
8/20/2030	-	2,129.96	-		2,129.96	
9/20/2030	-	2,086.92	-		2,086.92	
10/20/2030	-	2,129.96	-		2,129.96	
11/20/2030	-	2,086.92	-		2,086.92	
12/20/2030	-	2,129.96	-		2,129.96	
1/20/2031	-	2,129.96	-		2,129.96	
2/20/2031	60,000.00	1,940.64	-		61,940.64	
3/20/2031	-	1,876.00	-		1,876.00	
4/20/2031	-	1,816.07	-		1,816.07	
5/20/2031	-	1,871.31	-		1,871.31	
6/20/2031	-	1,816.07	-		1,816.07	84,103.63
7/20/2031	-	1,871.31	-		1,871.31	
8/20/2031	-	1,871.31	-		1,871.31	
9/20/2031	-	1,816.07	-		1,816.07	
10/20/2031	-	1,871.31	-		1,871.31	
11/20/2031	-	1,816.07	-		1,816.07	
12/20/2031	-	1,871.31	-		1,871.31	
1/20/2032	-	1,871.31	-		1,871.31	
2/20/2032	68,000.00	1,760.84	-		69,760.84	
3/20/2032	-	1,696.89	-		1,696.89	
4/20/2032	-	1,653.78	-		1,653.78	
5/20/2032	-	1,600.87	-		1,600.87	
6/20/2032	-	1,653.78	-		1,653.78	86,061.85
7/20/2032	-	1,600.87	-		1,600.87	
8/20/2032	-	1,600.87	-		1,600.87	
9/20/2032	-	1,553.78	-		1,553.78	
10/20/2032	-	1,600.87	-		1,600.87	
11/20/2032	-	1,553.78	-		1,553.78	
12/20/2032	-	1,600.87	-		1,600.87	
1/20/2033	-	1,600.87	-		1,600.87	
2/20/2033	68,000.00	1,459.68	-		69,459.68	
3/20/2033	-	1,325.74	-		1,325.74	
4/20/2033	-	1,266.93	-		1,266.93	
5/20/2033	-	1,325.74	-		1,325.74	
6/20/2033	-	1,266.93	-		1,266.93	82,786.03
7/20/2033	-	1,325.74	-		1,325.74	
8/20/2033	-	1,266.93	-		1,266.93	
9/20/2033	-	1,325.74	-		1,325.74	
10/20/2033	-	1,266.93	-		1,266.93	
11/20/2033	-	1,325.74	-		1,325.74	
12/20/2033	-	1,266.93	-		1,266.93	
1/20/2034	-	1,325.74	-		1,325.74	

\* Interest computed at rate shown, actual rate will vary over term of Lease.

**Kentucky Association of Counties - 2007-B Pool**

**EXHIBIT B - SCHEDULE OF BASE RENTALS**

Livingston County #4 - Ledbetter Sewer Project Refinance (2B Pool)  
Variable Rate Lease (Closing)

Date	Base Rental Principal	Total Rental Interest *	Adjustments	Adjustment Description	Total Base Rental **	Total FY Debt Service
2/20/2034	70,000.00	1,209.32	-		71,209.32	
3/20/2034	-	1,029.46	-		1,029.46	
4/20/2034	-	999.58	-		999.58	
5/20/2034	-	1,029.46	-		1,029.46	
6/20/2034	-	999.58	-		999.58	64,469.88
7/20/2034	-	1,029.46	-		1,029.46	
8/20/2034	-	1,029.46	-		1,029.46	
9/20/2034	-	999.58	-		999.58	
10/20/2034	-	1,029.46	-		1,029.46	
11/20/2034	-	999.58	-		999.58	
12/20/2034	-	1,029.46	-		1,029.46	
1/20/2035	-	1,029.46	-		1,029.46	
2/20/2035	75,000.00	939.83	-		75,939.83	
3/20/2035	-	712.00	-		712.00	
4/20/2035	-	690.03	-		690.03	
5/20/2035	-	710.28	-		710.28	66,666.53
6/20/2035	-	690.03	-		690.03	
7/20/2035	-	710.28	-		710.28	
8/20/2035	-	690.03	-		690.03	
9/20/2035	-	710.28	-		710.28	
10/20/2035	-	690.03	-		690.03	
11/20/2035	-	710.28	-		710.28	
12/20/2035	-	690.03	-		690.03	
1/20/2036	-	710.28	-		710.28	
2/20/2036	75,000.00	669.77	-		75,669.77	
3/20/2036	-	383.81	-		383.81	
4/20/2036	-	383.81	-		383.81	
5/20/2036	-	394.56	-		394.56	82,137.06
6/20/2036	-	383.81	-		383.81	
7/20/2036	-	394.56	-		394.56	
8/20/2036	-	383.81	-		383.81	
9/20/2036	-	394.56	-		394.56	
10/20/2036	-	383.81	-		383.81	
11/20/2036	-	394.56	-		394.56	
12/20/2036	-	383.81	-		383.81	
1/20/2037	-	394.56	-		394.56	
2/20/2037	84,288.03	362.31	-		84,647.34	67,367.75
<b>1,184,266.03</b>		<b>1,163,441.57</b>	<b>(120,882.84)</b>		<b>2,226,824.77</b>	<b>2,226,824.77</b>

\* All-in Yield of 5.032%

EXHIBIT B

REQUEST FOR PAYMENT WITH RESPECT TO  
ASSISTANCE AGREEMENT DATED SEPTEMBER 1, 2006  
LOAN NO. A06-01

Request No.   1  

Dated: October 16, 2008

Original sent to:           Kentucky Infrastructure Authority  
                          1024 Capital Center Drive  
                          Suite 340  
                          Frankfort, Kentucky 40601

Copy sent to:             Ms. Kelli Rice  
                          Resource Planning and Program Support Branch  
                          Division of Water  
                          Environmental and Public Protection Cabinet  
                          14 Reilly Road  
                          Frankfort, Kentucky 40601

FROM:                     Ledbetter Water and Sewer District (the "Governmental Agency")

Gentlemen:

The above identified Governmental Agency has entered into an Assistance Agreement with the Kentucky Infrastructure Authority (the "Authority") for the acquisition and construction of facilities described in the Assistance Agreement as the "Project."

Pursuant to the Assistance Agreement, we hereby certify that we have incurred the following expenses in connection with the Project and that the Authority's funding share of these expenses is in the amount so denoted in this request totaling \$ 2,326,078.00

Documentation supporting the expenses incurred and identified per this request are attached.

ELIGIBLE PROJECT EXPENSES INCURRED

<u>Contrator</u>	<u>Expenses this Request</u>	<u>Expenses to Date</u>
KACOLT	2,326,078.00	2,326,078.00
Total	2,326,078.00	2,326,078.00

ALLOCATION OF FUNDING FOR EXPENSES

<u>Funding Source</u>	<u>Portion of Expenses this Request</u>	<u>Portion of Expenses Total to Date</u>
KIA Fund A Loan	2,326,078	\$2,326,078.
KACoLT Loan	1,000,000	\$1,000,000.
Total	3,326,078	\$3,326,078.

The Governmental Agency certifies it has also paid Project expenses or has submitted requisitions to the applicable funding sources for Project expenses, which have not been identified in any previous Request or Payment, as follows:

<u>Funding Source</u>	<u>Amount of Payment or Requisition</u>	<u>Date of Payment or Requisition</u>
Total		

Respectfully submitted,

LEDBETTER WATER AND SEWER DISTRICT  
Governmental Agency

By: Phillip Doe

Title Chairman



Chris Lasher  
Livingston County Judge Executive

(270) 928-2105  
(270) 928-2106

355 Court Street • P.O. Box 70  
Smithland, KY 42081  
Co. Web Site: livingstoncoky.com

Fax: (270) 928-3262  
Email: livingstonjudge@direcway.com

June 24, 2005

KACO Leasing Trust  
Attn: Grant Satterly  
380 King's Daughters Drive  
Frankfort, KY 40601

Subject: Ledbetter Sanitation Lease Agreement

Dear Mr. Satterly,

I trust you will find the Lease Agreement in good order. We are looking forward to closing and getting the Lease Agreement in place. If you have any questions please contact my office.

Sincerely,

A handwritten signature in cursive script, appearing to read "Chris Lasher".

Chris Lasher  
Livingston County Judge/Executive

BILLY N. RILEY  
LIVINGSTON COUNTY ATTORNEY

COURTHOUSE  
P.O. BOX 97  
SMITHLAND, KY 42081  
270-928-2880  
1-800-599-2880  
FAX 270-928-4612

ROBERT A. FAY  
ASSISTANT COUNTY ATTORNEY

June 23, 2005

J.P. Morgan Trust Company, National Association  
614 West Main Street, Suite 2600  
Louisville, KY 40202

Kentucky Association of Counties Leasing Trust  
390 King's Daughters Drive  
Frankfort, KY 40604

**RE: LEASE AGREEMENT BETWEEN KENTUCKY ASSOCIATION OF  
COUNTIES LEASING TRUST, AS LESSOR, AND COUNTY OF LIVINGSTON,  
KENTUCKY, AS LESSEE**

Ladies and Gentlemen,

We have acted as counsel to the lessee identified above (the "Lessee") in connection with the authorization, execution, and delivery by the Lessee of the Lease Agreement identified above, (the "Lease"), between the Lessee and Kentucky Association of Counties Leasing Trust (the "Lessor"). We have reviewed (i) the Constitution and laws of the Commonwealth of Kentucky (the "Commonwealth"), (ii) certain proceedings taken by the Governing Body of the Lessee, (iii) an executed copy of the Lease and any Collateral Documents, as defined in the Lease, and (iv) such other information and documents as we have deemed necessary or appropriate in order to render this opinion.

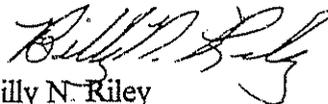
Based on the foregoing, we are of the opinion that:

1. The Lessee is a body politic and corporate, validly organized and existing in good standing under the laws of the Commonwealth and has full power and authority to enter into and to perform its obligations under the Lease.
2. The Lease and any Collateral Documents have been duly authorized, executed and delivered by the Lessee and (assuming the due authorization, execution and delivery thereof by the other parties thereto) constitute legal, valid and binding obligations of the Lessee, enforceable against the Lessee in accordance with their terms (including, without limitation, the right of the Lessee to terminate the Lease at the end of each fiscal year of the Lessee by reason of an Event of Nonappropriation, as defined in the Lease), except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, or other

similar laws affecting the enforcement of creditors' rights generally and by general principles of equity.

3. All consents, approvals or authorizations of any governmental entity and all filings and notices required on the part of the Lessee in connection with the authorization, execution and delivery of the Lease and the consummation of the transactions contemplated thereby have obtained and are in full force and effect.
4. Neither the execution and delivery of the Lease nor the consummation of the transaction contemplated thereby, nor the fulfillment of or compliance with the terms and conditions of the Lease conflict with or constitute a violation of any provision of any law or regulation applicable to the Lessee or, to the best of our knowledge, the terms, conditions or provisions of any restriction or any agreement or instrument to which the Lessee is now a party or by which the Lessee is bound.
5. To the best of our knowledge, after reasonable investigation, there is no action, suit, proceeding or governmental investigation at law or in equity before or by any court, public board or body, pending of which the Lessee has been served with a summons, summons and complaint or other notice of commencement, or threatened against or affecting the Lessee, challenging the validity of the Lease or contesting the power and authority of the Lessee to execute and deliver the Lease or to consummate the transaction contesting the power and authority of the Lessee to execute and deliver the Lease or to consummate the transactions contemplated by the Lease.

Respectfully submitted,



Billy N. Riley  
Livingston County Attorney

EXHIBIT E

CERTIFICATE OF OFFICIALS OF LESSEE

Re: Lease Agreement between Kentucky Association of Counties Leasing Trust, as lessor, and the County of Livingston, Kentucky, as lessee dated \_\_\_\_\_, 2005.

The undersigned officials of the lessee identified above (the "Lessee") under the Lease Agreement identified above (the "Lease") between the Lessee and the Kentucky Association of Counties Leasing Trust (the "Lessor"), DO HEREBY CERTIFY AS FOLLOWS:

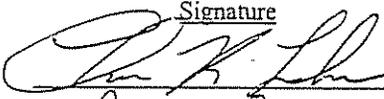
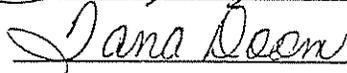
1. That they are the duly elected or appointed, qualified and acting incumbents of their respective offices of the Lessee, as set forth after their signatures hereto, and as such are familiar with the books, records and affairs of the Lessee.

2. That the Lessee is a body politic and corporate, validly organized, existing and in good standing under and by virtue of the laws of the Commonwealth of Kentucky with all requisite power and authority to lease property as lessee and to carry on its business as now being conducted.

3. That included in the transcript of which this Certificate forms a part is a true, correct and complete copy of the resolution duly adopted by the Governing Body of the Lessee on June 17<sup>th</sup>, 2004 (the "Official Action"), authorizing the appropriate officials of the Lessee to execute the Lease. The Official Action was duly adopted in accordance with all applicable laws.

4. The representations and warranties of the Lessee made in the Lease are true and correct in all material respects on and as of the date hereof as if made on and as of the date hereof; the Official Action has not been amended or supplemented and is in full force and effect; and the Lease has been entered into and is in full force and effect.

5. That the below-named persons were on the date or dates of the execution of the Lease and are on the date of this certificate the duly elected or appointed and qualified incumbents of the respective offices of the Lessee set forth opposite their names, are appointed Lessee Representatives under the Lease and the signatures set forth opposite their names are their genuine signatures:

<u>Name</u>	<u>Title</u>	<u>Signature</u>
<u>Christopher Lasher</u>	<u>County Judge/Executive</u>	
<u>Tana Doom</u>	<u>Fiscal Court Clerk</u>	

6. The Lease and any Collateral Documents, as defined in the Lease, have been duly authorized, executed and delivered by the Lessee and constitute legal, valid and binding obligations of the Lessee, enforceable against the Lessee in accordance with their terms (including, without limitation, the right of the Lessee to terminate the Lease at the end of each fiscal year of the Lessee by reason of an Event of Nonappropriation, as defined in the Lease)

7. The Lessee is not in default under or in violation of (i) any provisions of applicable law, (ii) the Lease, or (iii) any indenture, mortgage, lien, agreement, contract, deed, lease, loan agreement, note, order, judgment, decree or other instrument or restriction of any kind or character to which it is a party or by which it or its properties are or may be bound, or to which it or any of its assets is subject, which default would have a material adverse effect on the condition, financial or otherwise, of the Lessee or on the ability of the Lessee to perform its obligations under the Lease. Neither the execution and delivery of the Lease nor compliance by the Lessee with the terms, conditions and provisions of the Lease will conflict with or result in a breach of, or constitute a default under, any of the foregoing.

Please file on the date the Resolution was passed.

8. Since the date of the financial information provided to the Lessor, there have not been any material adverse changes in the business, properties, condition (financial or otherwise) or results of operations of the Lessee, whether or not arising from transactions in the ordinary course of business, and since such date, except in the ordinary course of business, the Lessee has not entered into any transaction or incurred any liability material to the financial position of the Lessee.

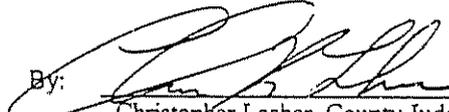
9. There is no claim, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, or public board or body, pending or, to the best of our knowledge, threatened against or affecting the Lessee wherein an unfavorable decision, ruling or finding would materially adversely affect the business, properties, condition (financial or otherwise) or the results of operations of the Lessee or the ability of the Lessee to perform its obligations under the Lease and any Collateral Documents.

10. All authorizations, consents and approvals of, notices to, registrations or filings with, or other actions in respect of or by, any governmental body, agency or other instrumentality or court required in connection with the execution, delivery and performance by the Lessee of the Lease and any Collateral Documents have been duly obtained, given or taken (and copies thereof have been provided to the Lessor).

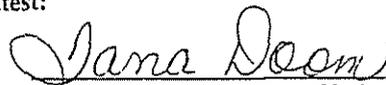
11. Any certificate signed by any official of the Lessee and delivered to the Lessor will be deemed to be a representation by the Lessee to the Lessor as to the statements made therein.

WITNESS our hands this 23<sup>rd</sup> day of June, 2005.

COUNTY OF LIVINGSTON, KENTUCKY, as Lessee

By:   
Christopher Lasher, County Judge/Executive

Attest:

  
By: Tana Doom, Fiscal Court Clerk

## EXHIBIT F

### CONSTRUCTION COVENANTS; REQUEST FOR DISBURSEMENT

#### CONSTRUCTION COVENANTS

The following shall apply to this Lease, to the extent the Costs of the Project include construction:

Section 1. Contractor's Performance and Payment Bonds. Each contractor entering into a contract relating to the construction of any part of the Project will be required to furnish a performance bond and a separate labor and material payment bond in form and content acceptable to the Lessor and the Credit Facility Provider, copies of which must be provided to the Lessor and the Credit Facility Provider. Such bonds must be made payable to the Lessor, the Credit Facility Provider and the Trustee, as their interests may appear, and must be executed by a corporate surety licensed to transact business in the State, and must be in an amount equal to the contract price for such contractor's contract; provided that in lieu of such bonds, such a contractor may provide bank letters of credit or cash deposits acceptable to the Lessor and the Credit Facility Provider. If, at any time during the construction of the Project, the surety on such bond is disqualified from doing business within the State, an alternative surety acceptable to the Lessor and the Credit Facility Provider must be selected. In the event of any change order resulting in the procurement of additional work or materials, such as to increase the amounts of such bonds to an amount equal to the cost of such additional work or materials or fixtures to be incorporated in the Project.

Section 2. Contractor's General Public Liability and Property Damage Insurance. Each contractor and subcontractor entering into a construction contract relating to any part of the Project will be required by the Lessor to procure and maintain standard form (a) comprehensive general public liability and property damage insurance, at his or her own cost and expense, during the duration of such contractor's construction contract, in the amount of at least \$1,000,000, and (b) comprehensive automobile liability insurance on owned, hired and non-owned vehicles for limits not less than \$1,000,000. Such policies will include the Lessor, the Lessee, the Trustee and the Credit Facility Provider as additional named insureds, and will include a provision prohibiting cancellation, modification or termination without 30 days' prior notice by certified mail to the Lessee, the Lessor, the Trustee and the Credit Facility Provider. A certificate of insurance in a form acceptable to the Lessee, the Lessor, the Trustee and the Credit Facility Provider will be provided to the Lessee, the Lessor, the Trustee and the Credit Facility Provider with respect to each contractor and subcontractor. Such insurance will provide protection from all claims for bodily injury, including death, property damage and contractual liability, products/completed operations, broad form property damage and XCU (explosive, collapse and underground damage), where applicable.

Section 3. Contractor's Builder's Risk Completed Value Insurance. The Lessee will purchase and maintain property insurance (builder's risk) upon all construction, acquisition, installation and equipping of the Project (excluding contractor's tools and equipment) at the site thereof at the full and insurable value thereof. This insurance will include the interest of the Lessor, the Trustee and the Credit Facility Provider and the contractor as additional insureds and will insure against "all risk" subject to standard policy conditions and exclusions. The contractor will purchase and maintain similar property insurance for portions of the work stored off the site or in transit when such portions of the work are to be included in an application for payment. The contractor will be responsible for the payment of any deductible amounts associated with this insurance.

Section 4. Contractor's Worker's Compensation Insurance. Each contractor entering into a construction contract relating to any part of the Project will be required to procure and maintain, at his or her own cost and expense, worker's compensation insurance during the term of his or her construction contract, covering his or her employees working thereunder. Such insurance, if issued by a private carrier, will contain a provision that such coverage will not be canceled without 30 days' prior written notice to the Lessee, the Lessor, the Trustee and the Credit Facility Provider. A certificate evidencing such coverage will be provided to the Lessee, the Lessor, the Trustee and the Credit Facility Provider or, if such insurance is provided by a private carrier, a completed certificate of insurance, in form acceptable to the Lessee, the Lessor, the Trustee and the Credit Facility Provider will be provided to the Lessee, the Lessor, the Trustee and the Credit Facility Provider with respect to each contractor entering into a construction contract. Each construction contract will also provide that each subcontractor of any contractor who is a party to such construction contract will be required to furnish similar worker's compensation insurance.

Section 5. Filing With the Lessor. The Lessee will cause copies of all performance bonds and insurance contracts or approved certificates thereof, as required under Sections 1, 2, 3 and 4 of this Exhibit, to be delivered to the Lessor, the Trustee and the Credit Facility Provider in a timely manner and in such form as to certify compliance with the provisions of the said Sections.

Section 6 Application of Net Proceeds. In the event of any material default by a contractor under any construction contract, or in the event of a material breach of warranty with respect to any materials, workmanship or performance, the Lessee will promptly proceed, either separately or in conjunction with others, to pursue diligently its remedies against such contractor and/or against each surety of any bond securing the performance of the construction contract. The Net Proceeds of any amounts recovered by way of damages, refunds, adjustments or otherwise in connection with the foregoing, remaining after reimbursement to the Lessor of any amounts theretofore paid by the Lessor and not previously reimbursed to the Lessor for correcting or remedying the default or breach of warranty which gave rise to the proceedings against the contractor or surety, will be paid to the Trustee for deposit into the Lessee's Lessee Acquisition Account if received before the Completion Date, or if received thereafter, will be deposited as otherwise provided in Section 13 of the Lease or otherwise applied as provided in Section 14 of the Lease. The Net Proceeds of any performance or payment bond or insurance policy required by this Section will likewise be paid into the Lessee's Lessee Acquisition Account if received before the Completion Date, or, if received thereafter, will either be deposited as provided in Section 13 of the Lease or otherwise applied as provided in Section 14 of the Lease.

As used in this Section, "Completion Date" means the date on which completion of the construction, acquisition, installation and equipping of the Project occurs, as evidenced by the certificate provided for in Section 12 of the Lease.

FORM OF REQUEST FOR DISBURSEMENT

**REQUEST FOR DISBURSEMENT**

Re: Lease Agreement between Kentucky Association of Counties Leasing Trust, as lessor, and County of Livingston, Kentucky, as lessee dated \_\_\_\_\_, 2005

Requisition Certificate No. \_\_\_\_\_

The Lessee hereby requests a disbursement from its Lessee Acquisition Account in the amount of \$ \_\_\_\_\_ and hereby certifies, as follows (except that with respect to a disbursement to pay an interest component of Lease Rental Payments during construction of a Project, only the document described in (a) below will be required):

(a) Attached is a statement of the amount and nature of each item of the Costs of the Project to be paid and the name and address of the payee, with the payee's statement and, if reimbursement to the Lessee of amounts previously paid is requested, evidence of such payment;

(b) each item for which payment or reimbursement is requested is or was in compliance with the Costs of the Project and none of such items formed the basis for any payment payment from the Lessee's Lessee Acquisition Account;

(c) each contractor, subcontractor and materialman has filed with the Lessee receipts or waivers of liens for all amounts previously certified for payment, or any amount previously certified for reimbursement to the Lessee, or there is on file with the Lessee a cancelled check endorsed by the contractor, subcontractor or materialman evidencing such payment;

(d) all of the warranties and representations of the Lessee contained in the Lease are true and correct as of the date of such disbursement, as though such warranties and representations were made on such date, no Event of Default or Event of Nonappropriation has occurred under the Lease, the right of the Lessee to control the acquisition, construction and installation of the Project has not otherwise been terminated pursuant to the Lease, and that amounts on deposit in the Lessee's Lessee Acquisition Account will be sufficient to complete the Project in accordance with the approved plans and specifications;

(e) if this request is for a disbursement for construction, an architect or engineer's certificate to the effect is attached stating that the work for which payment is being disbursed has been performed satisfactorily and that moneys remaining in Lessee's Lessee Acquisition Account will be sufficient to complete the acquisition, construction and installation of the Project in accordance with the approved plans and specifications.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 2005.

COUNTY OF LIVINGSTON, KENTUCKY, as Lessee

By:   
Christopher Lasher, County Judge/Executive



EXHIBIT G

FORM OF NO-ARBITRAGE CERTIFICATE

CERTIFICATE UNDER SECTIONS 103(b)(2) and 148  
OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED

LESSEE: County of Livingston, Kentucky

LEASE AMOUNT: 3,300,000

The Lessee hereby certifies with respect to the Lease from the Kentucky Association of Counties Leasing Trust ("CoLT"), made with proceeds of the \$200,000,000 Money Market Municipal Multi-County Lease Revenue Bonds (Kentucky Association of Counties Leasing Trust Program) Series 1989 (the "Bonds") issued by the County of Pendleton, Kentucky (the "Issuer"), which is entered into for the purpose of acquiring and financing certain improvements (the "Project") and made as of the date hereof (the "Closing Date"), which is the date of delivery of, and payment for, the Lease, that the following facts, estimates and circumstances regarding the amount and use of all of the Proceeds, as defined in Treas. Reg. § 1.148-1(b) issued under the Internal Revenue Code of 1986, as amended, are true and correct as of the Closing Date and are based on the best information and belief, reasonably expected to exist or to occur:

A. Proceeds. The Proceeds of the Lease consist, and will consist, of the Sale Proceeds and Investment Proceeds, each as defined in Treas. Reg. § 1.148-1(b), issued under the Code, and equal the Lease Amount.

B. Purpose of Issue. The Proceeds of the Lease, together with certain other funds, will be used to finance the Project, which constitutes a valid governmental purpose (the "Governmental Purpose").

The total amount of Proceeds received by the Lessee will not exceed the amount necessary to finance the Governmental Purpose. The Lease is being entered into at this time in such amount because the Lessee is obligated or will soon be obligated to make certain payments with respect to the Project and because it would be costly and inefficient to issue additional debt in the future to finance additional payments with respect to the remainder of the costs of the Project that are expected to become due.

C. Yield on the Lease. (1) The price at which the Lease was sold to the Issuer, which intends to hold the Lease for investment purposes and not for resale to the general public, is equal to the Lease Amount.

CHECK APPLICABLE STATEMENT

(2) The interest rate on the Lease is variable and the Yield will be determined pursuant to Treas. Reg. § 1.148-4(c), issued under the Code. Neither the Issuer nor any party on its behalf has entered into or expects to enter into any Hedge with respect to the Lease. A "Hedge" means any contract with respect to the Lease or the Bonds that creates an interest rate swap, an interest rate cap, the right to future delivery of investment property, or the right to sell or buy either the obligations or investment property, or other similar rights.

OR

(2) The Yield on the Lease, as defined in Treas. Reg. § 1.148-4, issued under the Code, is \_\_\_\_\_ %. The Issuer or a party on its behalf has entered a Hedge with respect to the Lease. A "Hedge" means any contract with respect to the Lease or the Bonds that creates an interest rate swap, an interest rate cap, the right to future delivery of investment property, or the right to sell or buy either the obligations or investment property, or other similar rights. Any Hedge with respect to the Lease could affect the determination of whether the Lease is a fixed rate issue, under Treas. Reg. § 1.148-4(b) or a variable rate issue under Treas. Reg. 1.148-4(c) and could affect the calculation of the yield on the Lease for purposes of satisfying the yield limitations of Section 148 of the Code and for purposes of determining any rebate amount.

D. Application of Proceeds. All of the Sale Proceeds together with earnings derived from the investment of the Sales Proceeds will be used to pay the cost of the Project, including issuance expenses and interest during construction and amounts allocated to reimburse the Lessee for capital expenditures, as that term is defined in Treas. Reg. § 1.150-2, issued under the Code, for the Project paid by the Lessee prior to the Closing Date, pursuant to the Lessee's Official Expression of Intent (as hereinafter defined). No amount received as Proceeds of the Lease will be used in the manner not set forth in this section.

E. Expenditure of Proceeds for the Project. The acquisition of the Project will commence promptly following the Closing Date, and the Lessee has incurred, or will incur, within six (6) months after the Closing Date, a substantial binding commitment to expend at least five percent (5%) of the Net Sales Proceeds (defined in Treas. Reg. § 1.148-1(b) as Sales Proceeds less an amount that is the lesser of five percent (5%) of the Sales Proceeds or \$100,000) on the Project. The Lessee will expend at least eighty-five percent (85%) of the Net Sales Proceeds by \_\_\_\_\_ . The acquisition of the Project will proceed with due diligence to completion and the Proceeds will be spent on the Project with due diligence no later than February 8, 2004.

F. Investment of Proceeds. (1) The Lessee has agreed in the Tax Compliance Agreement attached hereto that it will not invest any of the Proceeds of the Lease without the express consent of CoLT, and any such investments will be done so that such investment will not cause interest on either the Lease or the Bonds to be includable in the holder's gross income for purposes of federal income taxation or the debt to be treated as "arbitrage interest" under Sections 148(b)(2) and 148 of the Code and the Treasury Regulations thereunder.

(2) Not more than fifty percent (50%) of the Proceeds of the Lease will be invested in investments that both do not carry out the Governmental Purpose of the Lease and have a substantially guaranteed yield for at least four (4) years.

(3) No account or fund has been or will be established to pay principal of, premium, if any, or interest on the Lease. There are no moneys, sources of funds, securities or obligations that have been, or will be, pledged as collateral for the payment of principal of, premium, if any, or interest on the Lease, and there are no moneys, sources of funds, securities or obligations with respect to which the Issuer has given or will give any reasonable assurance to any holder of the Lease that such funds will be available to pay principal of, premium, if any, or interest on the Lease.

(4) Any unexpended portion of the Proceeds of the Lease, including any amounts in any reasonably required reserve or replacement fund, will be invested in the investment contract described in the Trust Indenture for the Bonds and other than any funds described herein invested during a temporary period permitted under Treas. Regs. §§ 1.148-1 through -11, issued under the Code, if any, or any amounts in any reasonably required reserve or replacement fund, as described in Treas. Reg. § 1.148-2(f), no Proceeds of the Lease, or any moneys that may become Replacement Proceeds, as defined in Treas. Reg. § 1.148-1(c), of the Lease, in excess of the lesser of (i) five percent (5%) of such Proceeds or (ii) \$100,000, have been invested in "higher yielding investments," as defined in the Code and the Treasury Regulations thereunder.

G. General. (1) Neither the Project, nor any part thereof, will be sold or otherwise disposed of by the Lessee prior to the final principal maturity date of the Lease.

(2) The Lessee will allocate Proceeds of the Lease to reimburse itself only for capital expenditures paid not earlier than sixty (60) days prior to the Closing Date or not earlier than sixty (60) days prior to the date it adopted an official expression of intent to reimburse (the "Official Expression of Intent"), within the meaning of Treas. Reg. § 1.150-2, issued under the Code, if earlier, or as otherwise permitted pursuant to Treas. Reg. § 1.150-2.

(3) There are no amounts, other than the Gross Proceeds of the Lease, that are available for the Governmental Purpose. There are no sinking funds or pledged funds and the term of the Lease is not longer than reasonably necessary for the Governmental Purpose.

(4) Any Rebate Payments and any Yield Reduction Payments (each as defined in the Tax Compliance Agreement), owed pursuant to Section 148(f) of the Code, will be remitted to the United States Treasury as directed by CoLT.

(5) The Lessee has not employed in connection with the Lease a transaction or series of transactions that attempts to circumvent the provisions of Sections 103(b)(2) and 148 of the Code and the Treasury Regulations thereunder, enabling the Lessee to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage and/or increasing the burden on the market for tax-exempt obligations through actions such as issuing more obligations, issuing obligations sooner or allowing them to remain outstanding longer than would otherwise be necessary for the Governmental Purpose.

(6) The Issuer has never been advised of any listing or contemplated listing by the Internal Revenue Service to the effect that the Lessee's certification with respect to its obligations may not be relied upon and no notice to that effect has been published in the Internal Revenue Bulletin.

(7) Certain of the facts, estimates and circumstances contained herein are based upon representations made by CoLT in the attached certificate, or in other letters and reports that accompany the sundry closing documents related to the sale and delivery of the Lease. The Lessee is not aware of any facts, estimates or circumstances that would cause it to question the accuracy of such representations. To the best of the knowledge, information and belief of the undersigned, who is authorized by the Lessee to sign this certificate on behalf of the Lessee, the above expectations of the Lessee as stated herein are reasonable and there are no other facts, estimates or circumstances that would materially change the foregoing conclusion.

<p><b>CHECK IF APPLICABLE</b></p> <p><input checked="" type="checkbox"/> (8) During this calendar year, the Lessee, which has general taxing powers, has not issued and does not expect to issue tax-exempt bonds, including any tax-exempt bonds issued by any subordinate entities, but excluding "private activity bonds," as defined in the Section 141 of the Code, and any refunding bonds, as defined in Section 148(f)(4)(D)(iii) of the Code, exceeding \$5,000,000 in aggregate face amount.</p> <p><input type="checkbox"/> (9) Lessee does not reasonably anticipate that the total principal amount of "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code which the Lessee or any subordinate entity of the Lessee will issue during the calendar year in which the Lease is executed and delivered will exceed \$10,000,000; and, therefore, the Lessee hereby designates the Lease as a "qualified tax-exempt obligation".</p>	<p>Place of the appli box</p> <p>Man!</p>
---	---

This certificate is being executed and delivered pursuant to Treas Regs §§ 1.148-1 through -11 issued under the Code, of which the undersigned, with the advice of counsel, is generally familiar. On the basis of the foregoing, it is not expected that the proceeds of the Lease will be used in a manner that would cause the Lease or the Bonds to be "arbitrage bonds" under Sections 103(b)(2) and 148 of the Code or the Treasury Regulations thereunder.

COUNTY OF LIVINGSTON, KENTUCKY, as Lessee

By:   
Christopher Lasher, County Judge/Executive

Dated: 6-23-05



EXHIBIT H  
IRS FORM 8038

23838\_1.DOC

Part I Reporting Authority If Amended Return, check here

1 Issuer's name: County of Livingston, Kentucky
2 Issuer's employer identification number: 61-0610257
3 Number and street: 355 Court Street
4 Report number: 2005-1
5 City, town, or post office: Smithland, KY 42081
6 Date of issue: -05
7 Name of issue: Lease Agreement between the Kentucky Association of Counties Leasing Trust and the County of Livingston, KY
8 CUSIP number: None
9 Name and title of officer: Hon. Christopher Lasher
10 Telephone number: 270-928-2106

Part II Type of Issue (check applicable box(es) and enter the issue price) See instructions and attach schedule

11 Education
12 Health and hospital
13 Transportation
14 Public safety
15 Environment (including sewage bonds)
16 Housing
17 Other
18 Other: Describe Financing of sewage system
19 If obligations are TANs or RANs, check box
20 If obligations are in the form of a lease or installment sale, check box

Part III Description of Obligations. (Complete for the entire issue for which this form is being filed.)

Table with 5 columns: (a) Final maturity date, (b) Issue price, (c) Stated redemption price at maturity, (d) Weighted average maturity, (e) Yield. Row 21: \$ 3,300,000, \$ 3,300,000, years, %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22 Proceeds used for accrued interest
23 Issue price of entire issue (enter amount from line 21, column (b)) 3,300,000
24 Proceeds used for bond issuance costs (including underwriters' discount)
25 Proceeds used for credit enhancement
26 Proceeds allocated to reasonably required reserve or replacement fund
27 Proceeds used to currently refund prior issues
28 Proceeds used to advance refund prior issues
29 Total (add lines 24 through 28)
30 Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here) 3,300,000.00

Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)

31 Enter the remaining weighted average maturity of the bonds to be currently refunded
32 Enter the remaining weighted average maturity of the bonds to be advance refunded
33 Enter the last date on which the refunded bonds will be called
34 Enter the date(s) the refunded bonds were issued

Part VI Miscellaneous

35 Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)
36a Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract
37 Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units
38 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box
39 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box
40 If the issuer has identified a hedge, check box

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.
Sign Here: Christopher Lasher, County Judge/Executive, June 23 -05

**INTERLOCAL COOPERATION AGREEMENT**  
**RELATING TO THE WASTEWATER SYSTEM SERVING THE**  
**COMMUNITY OF LEDBETTER, LIVINGSTON COUNTY, KENTUCKY**

THIS INTERLOCAL COOPERATION AGREEMENT (the "Agreement") is made and entered into and deemed effective as of the \_\_\_\_\_ day of \_\_\_\_\_, 2004, by and between the Livingston County Fiscal Court (referred to herein as "Fiscal Court"), the Ledbetter Sanitation District (referred to herein as "Sanitation District") and the Ledbetter Water District (referred to herein as "Water District"), each a "Party", (or collectively the "Parties") and each a political subdivision of the Commonwealth of Kentucky.

WHEREAS, under the Interlocal Cooperation Act, Sections 65.210 to 65.300, inclusive, of the Kentucky Revised Statutes ("KRS"), as amended, any power or powers, privileges or authority exercised or capable of exercise by a public agency (including a special district, or any other political subdivision of the Commonwealth) may be exercised jointly with another public agency under an agreement (an "interlocal cooperation agreement") for joint or cooperative action pursuant to the provisions of the Act, and such public agencies may acquire, construct, maintain, add to and improve the necessary property, real and personal, which is required in order to accomplish the public purposes set forth in such interlocal cooperation agreement; and

WHEREAS, the Fiscal Court encourages the development of water and wastewater services for all residents of the County and intends that such service be provided in the most cost effective manner to the benefit of its citizens, and

WHEREAS, the Sanitation District, a special district established pursuant to KRS 220, and whose board of commissioners has been recently reappointed, owns the wastewater system and is willing to transfer ownership of its system to the Water District to better assure a more reasonable cost of service to its customers; and,

WHEREAS, the Water District, a special district established pursuant to KRS 74 and regulated by the Kentucky Public Service Commission (PSC) (pursuant to KRS 278), presently owns and operates a water system and, at the request of the Sanitation District and current and previous Fiscal Courts, has operated the wastewater system for an extended period and has demonstrated its capability to properly operate the physical plant of the wastewater system and has recently taken official board action to express its willingness to accept ownership of the wastewater system and deal with the fiscal obligations thereof; and

WHEREAS, the Parties are in agreement that it is in their mutual interest to pursue cooperatively the public purpose of consolidating utility services to the benefit of the affected citizenry, and to this end have determined to effect the transfer of ownership of the wastewater system, secure a loan in the name of the Fiscal Court, and subsequently secure a second loan in the name of the Water District, to better assure

reasonable customer rates and to take other related activities as set out in this Agreement.

**NOW THEREFORE**, it is mutually acknowledged and agreed by and between the Parties hereto and so ordered as follows:

1. The Parties hereto agree that the foregoing statements are not mere recitals, but represent findings of fact by the respective bodies, and as such represent statements of public interest affecting all Parties hereto, and the community of Ledbetter
2. Obligations and Responsibilities of the Fiscal Court:
  - A. The Fiscal Court, in the interest of resolving long-term fiscal matters relating to the wastewater system, hereby invites and encourages the Sanitation District and the Water District to take all steps necessary and appropriate for the transfer of ownership of the wastewater system from the Sanitation District to the Water District and the proper continuation of operation and maintenance of the wastewater system by the Water District, as set out in this Agreement.
  - B. Upon Kentucky Public Service Commission (PSC) approval of the transfer of ownership of the wastewater system, the Fiscal Court will immediately secure sufficient loan funds from the Kentucky Association of Counties Leasing Trust (KACoLT loan) to be used to retire the Kentucky Infrastructure Authority Fund A loan to the Sanitation District, conditioned upon the faithful completion of all actions set out in this Agreement by the respective Parties.
  - C. The Fiscal Court shall assist the Sanitation District board of commissioners in the proper conduct of its obligations under this Agreement and, upon transfer of ownership and completion of all related activities, shall effect the dissolution of the Sanitation District pursuant to Kentucky Revised Statutes
  - D. Concurrent with other actions being taken by the Parties to this Agreement, the Fiscal Court, at its expense, shall procure a qualified engineering firm to conduct an on-site inspection and provide an assessment report as to the overall condition and general functionality of the wastewater system. Further, the Fiscal Court shall engage the Water District in the procurement process by seeking its assistance in the determination of the proper qualifications and subsequently the selection of such firm and shall encourage the Water District to actively participate with the representatives of the engineering firm during its on-site evaluation. Further, copies of any and all written reports resulting from this evaluation shall be provided to all Parties to this Agreement.

### 3. Obligations of the Sanitation District

A. The Sanitation District board of commissioners will familiarize itself with the issues and attendant actions of all Parties necessary to successfully achieve the intent of this Agreement.

B. The Sanitation District, immediately upon execution of this Agreement, by official resolution and then by letter shall grant and authorize the Water District to continue its operation and maintenance activities of the wastewater system, including all associated billing and collection of revenues and application of same to the costs of operation. It shall state clearly that the intent of the Sanitation District is to transfer ownership to the Water District and that such grant and authorization shall remain in effect until and at which time ownership of the wastewater system is successfully transferred, or other action requires further directive.

C. The Sanitation District shall meet, as required, to consider and take all necessary action in a timely manner to assure the accomplishment of the purpose of this Agreement. More, specifically, the Sanitation District shall accept funds made available by the Fiscal Court via the KACoLT loan, shall apply all such funds to the retirement of its outstanding KIA loan on the wastewater system and hereby irrevocably pledges all revenues derived from rates and charges of the wastewater system to the payment of the KACoLT loan until such time as ownership of the wastewater system shall be transferred to the water district, whereupon the provisions of Section 4 B of this Agreement shall apply.

D. When and after the proper transfer of ownership of the wastewater system to the Water District occurs, the Sanitation District shall take all appropriate action in cooperation with, and at the direction of, the Fiscal Court to legally dissolve its organization and cease its existence.

### 4. Obligations of the Water District

A. The Water District shall acknowledge the Sanitation District's letter, as cited in Section 3B of this Agreement, and shall continue to operate and maintain the wastewater system, and apply all revenues generated from billings and collections from wastewater system customers toward operation and maintenance costs in the routine and normal manner.

B. Immediately upon execution of this Agreement by all Parties, the Water District shall notify the PSC of its intent to accept ownership of the Sanitation District's wastewater system and request PSC staff assistance in establishing customer rates for wastewater services as recommended pursuant to Section 5 and **Attachment 1** of this Agreement. Upon PSC approval, the Water District shall commence to charge the new wastewater services rates. After

KACoLT approves its loan to the Fiscal Court, the Water District shall apply that portion of system revenues necessary to fully service the KACoLT loan.

C. When and after the KACoLT loan, obtained by the Fiscal Court, is used to retire in full the KIA loan (A-94-03) to the Sanitation District, the Water District shall make application to the KIA Fund A Loan Program for that amount set out in **Attachment 1** to this Agreement so that proceeds from the Fund A loan will reduce the principal amount of the KACoLT loan to the Fiscal Court, thereby assuring the lowest possible customer rate for wastewater services. The Water District shall then also apply that portion of system revenues necessary to fully service the KIA loan.

D. Thereafter, the Water District shall own, manage, operate and maintain the wastewater system and apply all revenues generated there from to cover the cost of operation and maintenance as well as for the timely retirement of debt incurred by the Fiscal Court and subsequently, and in addition, debt secured in its own name relating to the wastewater system.

5. Parties agree as to Method for Determination of Rates:

The proposed customer rate for wastewater services to be submitted by the Water District to the PSC for its consideration and subsequent approval shall be sufficient to adequately operate and maintain the wastewater system as well as to repay debt incurred on behalf of the wastewater system by the Fiscal Court and the Water District. The actual delineation of this arrangement relating to these Parties' specific debt amounts is set out in full and included in this Agreement as **Attachment 1**.

6. Parties further acknowledge and agree.

A. The Parties agree to work cooperatively in addressing all the issues affecting the successful completion of the activities set out in this Agreement, and recognize the critical importance of open and continuing communication to assure the long term benefit of this Agreement to citizens of the Ledbetter community in Livingston County, Kentucky. To better assure this communication, beginning on the effective date of this Agreement and continuing thereafter until PSC approvals are secured and the KACoLT loan to the Fiscal Court and the KIA loan to the Water District is in place, each Party shall charge one of its members to serve as its principal *contact person* and it shall be the obligation of these individuals to arrange for and actively engage in open communication on a routine basis, regarding any and all matters cited in or envisioned by this Agreement. Further, each designated *contact person* shall attend all meetings of the other Parties wherein matters relating to this Agreement are to be discussed or any action taken, and shall report regularly to their respective Party in a manner as directed by that Party. The individuals who shall serve initially as the contact persons for the respective Parties shall be named in **Attachment 2** to this Agreement.

B. The duration of this Agreement shall extend to and include the approvals of the PSC regarding the transfer of ownership and the rates to be charged for service, together with the KACoLT loan approval to the Fiscal Court and subsequently the KIA loan approval to the Water District, the timely repayment of these loans by schedule, the completion of the engineering evaluation of the wastewater system and the dissolution of the Sanitation District. The successful implementation and completion of all of these actions together, as illustrated by appropriate documentation, shall constitute the permissible method of complete termination of this Agreement.

C. The Water District operates under the jurisdiction of the PSC. Consequently, the roles of the Water District as set out herein are subject to the review and approval of the PSC. Every effort shall be made by the other Parties to facilitate the appropriate review and implement the directives of the PSC in a timely and expeditious manner.

D. The Parties to this Agreement hereby designate the Pennyrite Area Development District to be the "Administrator" of this Agreement. The responsibility of the Administrator, as separately agreed to and so documented in *Attachment 3* of this Agreement, shall be limited to reporting the progress of the implementation of the Agreement to the Parties monthly, during the first year, and annually thereafter on or near the anniversary of the effective date of the Agreement.

E. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky. If any provision of this Agreement is held to be in conflict with any applicable statute or rule of law, or is otherwise held to be unenforceable, the invalidity of such portion shall not affect any or all of the remaining portions of this Agreement.

F. The principal purpose of the actions called for in this Agreement is to secure and take best advantage of the economies of scale in providing for the proper management, operation and maintenance of the wastewater system, including retirement of debt obligations and coverage of operation and maintenance costs through consolidation with the Water District's water system to secure the lowest possible costs per capita for the consumers of both water and wastewater services in the community of Ledbetter.

G. The activities set out in this Agreement shall be financed by a combination of subsidized loans provided by Kentucky Association of Counties' Leasing Trust and the Kentucky Infrastructure Authority, as well as by revenues generated by customer rates, as approved by the PSC.

H. All real and personal property that may be acquired in the course of the implementation of this Agreement shall be properly procured pursuant to KRS 45A, used and held as public property and disposed of pursuant to statute.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by designated officers or officials as duly authorized by the respective legislative or managing body, effective as of the date first written above.

APPROVED AS TO FORM AND COMPLIANCE  
WITH APPROPRIATE KENTUCKY STATUTES

Attorney General Greg Stumbo  
Commonwealth of Kentucky

BY: Gregory D. Stumbo

LIVINGSTON COUNTY / FISCAL COURT

Chris L. Loh 8/10/04  
County Judge Executive

Attest: Carroll Walker

County Court Clerk

LEDBETTER SANITATION DISTRICT

James R. Schade  
Chair

Attest: Janet Moneymaker

Secretary

LEDBETTER WATER DISTRICT

Phillip A. ... 8-10-04  
Chair

Attest: Janet Moneymaker

Secretary

ATTACHMENT 1 RECOMMENDED LOANS AND RELATED CUSTOMER RATES

Lender	Approximate Principal Amount	Term of Loan	Approximate Interest Rate	Purpose
A KACoLT	\$ 3,300,000	3 to 6 months	2.92% Variable	Short Term note to extinguish debt owed by the Ledbetter Sanitation District to KIA
B KACoLT	\$ 1,000,000	5 years	2.92% Variable	Five-year variable rate loan. First step in the permanent refinancing of the wastewater system's debt. This loan will be made concurrent with the KIA loan and will pay off Loan 1 above.
C KIA	\$ 2,300,000	20 years	0% fixed	Twenty-year, zero interest loan. This loan will reduce overall interest costs to the system. This loan will be made concurrent with the KACoLT loan and will pay off Loan 1 above.
D KACoLT	\$ 1,000,000	20 years	Future Market Fixed Rate	Twenty-year fixed rate loan. Final step in the permanent refinancing of the wastewater system's debt. This loan will refinance the 5-year KACoLT loan and will pay off Loan 2 above.

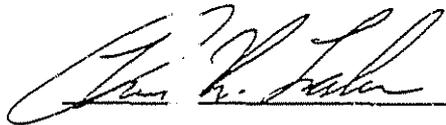
1. In first quarter of 2004: the Fiscal Court via KACoLT pays off the Sanitation District's debt to KIA. This would be a 3 to 6 month variable rate short-term loan. The interest cost would be approximately \$24,000 to \$48,000.
2. In first quarter of 2004: current rates in effect as of October 2003 (\$10.29 for the first 2,000 gallons – minimum bill, and \$5.25 per 1,000 gallons thereafter) need to be increase by approximately 47% to \$15.16 for the first 2,000 gallons, and \$7.74 per 1,000 gallons thereafter. The rates will continue at this level for a period of five (5) years.
3. In the second quarter of 2004: KIA would extend a loan to the Water District to pay off \$2,300,000 of the KACoLT loan to the Fiscal Court at an interest rate of 0.0% for a term of 20 years. The annual debt service payment on this loan would be approximately \$115,000.
4. In the second quarter of 2004: KACoLT would refinance approximately \$1,000,000 over 5 years at a variable rate of 2.92%. The annual KACoLT debt service payment would be approximately \$35,000.
5. In the fourth quarter of 2008: sewer rates will be further increased by approximately 10% to \$16.71 for the first 2,000 gallons – minimum bill, and \$8.53 per 1,000 gallons thereafter, to cover Item 6, below.
6. In the first quarter of 2009: KACoLT would convert the 5-year loan to a 20-year loan. Annual debt service payments would be approximately \$67,000.

ATTACHMENT 2

IDENTIFICATION OF INITIAL CONTACT PERSONS

The following individuals, pursuant to Section 6A of the Agreement, shall serve as the *contact person* for each Party as indicated. If such individual does not continue to serve in this capacity, for whatever reason, another individual shall be named by that Party and so inform the other Party(ies) in a timely manner. Note: The individual serving for the Sanitation District shall do so until and at which time the Sanitation District is dissolved and no other individual shall be named thereafter.

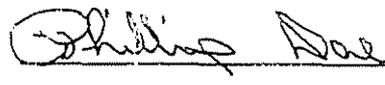
LIVINGSTON COUNTY FISCAL COURT:

 8-10-04

LEDBETTER SANITATION DISTRICT:

James R. Schade 8/10/04

LEDBETTER WATER DISTRICT:

 8-10-04

ATTACHMENT 3

AGREEMENT TO SERVE AS ADMINISTRATOR

Be advised that the Pennyrile Area Development District agrees to and will serve as Administrator of the Interlocal Cooperation Agreement between and among the Livingston County Fiscal Court, the Ledbetter Sanitation District, and the Ledbetter Water District, pursuant to KRS 65 and Section 6D of the Agreement.

Date 8/12/0

Chris Suthou  
Executive Director (Assistant)

Attest: Jeff W. [Signature]

COMMONWEALTH OF KENTUCKY  
FISCAL COURT OF THE COUNTY OF LIVINGSTON  
RESOLUTION NO. 06-17-04-02

RESOLUTION RELATING TO AN INTERLOCAL  
COOPERATION AGREEMENT RELATING TO  
THE LEDBETTER SANITATION DISTRICT NO. 1

BE IT RESOLVED BY THE FISCAL COURT OF THE COUNTY OF LIVINGSTON, KENTUCKY, AS FOLLOWS:

WHEREAS, The Livingston County Fiscal Court recognizes that the best interests of the people of Ledbetter would be served by the water district's accepting ownership of the Ledbetter Sanitation District No. 1, and

WHEREAS, The Livingston County Fiscal Court has requested that the water district accept ownership of the Ledbetter Sanitation District No. 1, and

WHEREAS, The Fiscal Court agreed at a special meeting on November 6, 2003 to pay for an engineering study to determine the condition and needs of the sewer system, and to provide financial assistance, if needed, in correcting existing problems; and

WHEREAS, The Kentucky Infrastructure Authority (KIA), with assistance from the Public Service Commission (PSC), has proposed a refinancing plan which appears acceptable to the Fiscal Court,

THEREFORE BE IT RESOLVED that the Livingston County Fiscal Court will enter into an Interlocal Cooperation Agreement Relating To The Wastewater System Serving The Community Of Ledbetter, Livingston County, Kentucky, and will authorize the Livingston County Judge/Executive to sign on the Courts behalf, an interlocal agreement setting forth necessary procedures allowing the Ledbetter Water District to assume operations of the Ledbetter Sanitation District No. 1

Upon motion by Jerry Stanger and seconded by Joe C. Bryan, the foregoing Resolution was duly adopted on the 17<sup>th</sup> day of June, 2004 by a vote of 4 (yes) to 0 (no).

Dated this the 17<sup>th</sup> day of June, 2004.

Attest:

Jana Deane 6-17-04  
Livingston County Date  
Fiscal Court Clerk

Chris Lasher 6-17-04  
Chris Lasher Date  
Livingston County Judge/Executive

Reviewed and approved by Livingston County Attorney Billy Riley.

Billy N. Riley  
Billy Riley, Livingston County Attorney

## STATE OF KENTUCKY, COUNTY OF LIVINGSTON

I, Carroll D. Walker, Clerk of the County for the County and State aforesaid, certify that the foregoing instrument was on the 21 day of June 2004 at 2:34 P. M., lodged for record, whereupon the same, with the foregoing, and this certificate have been duly recorded in my office in M.S.C. Book 4 page 695

Given under my hand this 21 day of June 2004

CARROLL D. WALKER

By Ramona Blankenship

Pd. Recording Fee 0.00 Dead Tax

# MENTARY



schools, classmates, neighbors, friends and family along with lots of prayers.

I would like to express my thanks and appreciation to everyone for being so thoughtful and so concerned about my son. Your prayers, comfort and support gave me faith and hope. I would especially like to thank Mickey Teitloff who helped our family a lot. We are so blessed that she was there and so thankful for everything she has done for us. I would also like to thank her, Eric Homer, Amie Puckett and the staff at LCHS and everyone who participated in the benefit concert for Lee and Michelle. We are so thankful for all the hard work put forth to make this be successful. Also a special thanks to the EMS who transported Lee to the hospital that day. With their qualifications and teamwork they were able to keep him stable until they got to the hospital. And I am so blessed for the care that was provided to him.

Everyone in our community has showed so much love and support. I praise God that we are so blessed

still in a semi-coma but at times he tries to communicate to us with his eyes. Also at this point Lee has said 2 words, Momma and Hi. And I praise God for that. He is getting real good care at their

509 N. Hayden Avenue  
Salem, KY 42078

God Bless,  
Sandy Bonds and Family

## NOTICE

The Livingston County Fiscal Court approved a Resolution Relating to the Creation of a Board to administer the use and future of Livingston County's Nature Preserves. The Resolution was approved on June 17, 2004 during the regular meeting. A complete copy of the Resolution may be viewed at the Livingston County Judge Executive's Office during regular business hours.

## NOTICE

The Livingston County Fiscal Court approved a Resolution Relating to an Interlocal Cooperation Agreement Relating to the Ledbetter Sanitation District No. 1. This Resolution authorizes the Livingston County Judge/Executive to sign on the Courts behalf, an Interlocal Agreement setting forth necessary procedures allowing the Ledbetter Water District to assume operations of the Ledbetter Sanitation District No. 1. This Resolution was approved on June 17, 2004 during the regular meeting. A copy of the Resolution may be viewed at the Livingston County Judge Executive's Office during regular business hours.

## SALEM COMMUNITY VOLUNTEER FIRE DEPARTMENT PROPOSES A FIRE TAXING DISTRICT

The Salem Community Volunteer Fire Department is proposing to form a taxing district. Reasons for this

*Peck, Shaffer & Williams LLP*  
*Attorneys At Law*

SUITE 1603 239 SOUTH FIFTH STREET LOUISVILLE, KENTUCKY 40202  
TELEPHONE 502 561 0054 800 927 2663 FAX 502 561 0058 WWW PECK-SHAFFER.COM  
WRITER DIRECT (502) 561-0092 SPATEL@PECK-SHAFFER.COM

June 21, 2005

Hon. Christopher Lasher  
County Judge/Executive  
PO Box 70  
Smithland, Kentucky 42081

Re: Lease Agreement between Kentucky Association of Counties Leasing Trust  
("KAL") and Livingston County, Kentucky ("County")

Dear Mr. Hammond:

Enclosed are the following documents in connection with the referenced Lease Agreement  
the proceeds of which will be used to finance the purchase of all capital assets of the Ledbetter Sanitation  
District:

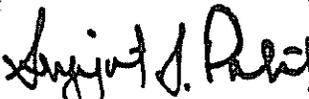
1. Lease Agreement including Exhibits A-H; and
2. IRS Form 8038.

Please have the resolution attached as Exhibit C adopted by the Fiscal Court and all  
documents executed by the appropriate officials. After all of the documents have been executed, please  
return them to Mr. Grant Satterly at KACO Leasing Trust (380 King's Daughters Drive, Frankfort,  
Kentucky 40601) as soon as possible. Please note that Exhibit D must be put on letterhead of and  
executed by your attorney. As soon as KACO has received the executed documents we will arrange for a  
closing. If you have any questions with respect to the enclosed documents, do not hesitate to call.

Very truly yours,

PECK, SHAFFER & WILLIAMS LLP

Per

  
Sujyot S. Patel

SSP/kac

LEASE AGREEMENT

KENTUCKY ASSOCIATION OF COUNTIES LEASING TRUST

LESSEE: County of Livingston, Kentucky

LESSEE'S ADDRESS: Livingston County Fiscal Court  
PO Box 70  
Smithland, Kentucky 42081

DATE OF LEASE: \_\_\_\_\_, 2005

TERMINATION DATE: \_\_\_\_\_, 2035

This Lease Agreement constitutes a Security Agreement under the Kentucky Uniform Commercial Code and all right, title and interest of the lessor herein has been assigned to J.P. Morgan Trust Company, National Association (successor to Liberty National Bank and Trust Company of Louisville), as trustee under a Trust Indenture dated as of March 1, 1989 between it, Pendleton County, Kentucky and the Lessor.

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## LEASE AGREEMENT

THIS LEASE AGREEMENT, dated the date shown on the cover page hereof (together with any amendments hereto made in accordance herewith, this "Lease"), is entered into by and between the Kentucky Association of Counties Leasing Trust (the "Lessor"), as the lessor hereunder, a trust duly created and existing under the laws of the Commonwealth of Kentucky (the "State"), and the Lessee shown on the cover page hereof (the "Lessee"), as lessee hereunder a body politic and corporate validly existing under the constitution, statutes and laws of the State.

### WITNESSETH:

WHEREAS, the governing body of the Lessee (the "Governing Body") has the power, pursuant to Section 65.940 et seq. of the Kentucky Revised Statutes to enter into lease agreements with or without the option to purchase in order to provide for the use of property for public purposes;

WHEREAS, the Governing Body has previously determined, and hereby further determines, that the Lessee is in need of the Project, as defined herein;

WHEREAS, the Governing Body has determined and hereby determines that it is in the best interests of the Lessee that the Lessee and the Lessor enter into this Lease for the leasing by the Lessee from the Lessor of the Project and to become a Participant in the Program, as defined in the Indenture;

WHEREAS, the execution, delivery and performance of this Lease, have been authorized, approved and directed by the Governing Body by an ordinance or resolution finally passed and adopted by the Governing Body; and

WHEREAS, the Lessor desires to lease the Project to the Lessee, and the Lessee desires to lease the Project from the Lessor, pursuant to the terms and conditions and for the purposes set forth herein;

NOW, THEREFORE, for and in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

Section 1. Definitions. All words and phrases will have the meanings specified below unless the context clearly requires otherwise. Terms not defined herein will have the meanings assigned to them in the Indenture. References to Sections mean Sections of this Lease unless otherwise indicated.

"Additional Rentals" means the aggregate of (i) any expenses (including attorneys' fees and expenses) of the Lessor and/or the Credit Facility Provider in defending an action or proceeding in connection with this Lease and/or any Collateral Documents relating to this Lease or in enforcing the provisions of this Lease and/or any Collateral Documents relating to this Lease, (ii) any taxes or any other expenses, including, but not limited to, licenses, permits, state and local sales and use or ownership taxes or property taxes and recording fees and/or other fees which the Lessor is expressly required to pay as a result of or in connection with this Lease and/or any Collateral Documents relating to this Lease, (iii) any deficiency in the Lessee's Proportionate Share of the Debt Service Reserve Requirement (together with interest that may accrue on said amounts in the event that the Lessee fails to pay the same, as set forth herein), (iv) the Lessee's Proportionate Share of any Administrative Fees, Credit Fees and Fiduciary Fees to the extent the same are not included in and paid as Base Rentals, (v) for Fiscal Years in which the principal component of Base Rentals do not correspond to fixed rate Bonds, the Lessee's Proportionate Share of interest on variable rate Bonds, as provided in Section 6.1(e), and (vi) any deficiency in investment income on the Lessee's Proportionate Share of the Debt Service Reserve Requirement for purposes of paying interest on the Lessee's Proportionate Share of a principal amount of Bonds equal to the Debt Service Reserve Requirement, and (vii) any costs incurred in connection with a Rate Swap Termination.

"Administrative Fees" means the fees and expenses of the Lessor in administering the Program.

"Base Rentals" means the payments payable by the Lessee which constitute the principal component and interest component of Lease Rental Payments hereunder and other amounts set forth in Exhibit B.

"Bonds" means the \$200,000,000 Money Market Municipal Multi-County Lease Revenue Bonds (Kentucky Association of Counties Leasing Trust Program) Series 1989 issued by the Issuer to fund the Kentucky Association of Counties Leasing Trust Program.

"Code" means the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code herein will be deemed to include the United States Treasury Regulations proposed or in effect with respect thereto and applicable to the Bonds or the use of the proceeds thereof.

"Collateral Document" means any letter of credit, mortgage, escrow agreement, guaranty, security agreement, pledge agreement, title insurance policy or other document (other than this Lease) securing a Lease or granting a lien on or a security interest in a Project or executed in connection with this Lease.

"Costs" means, with respect to the Project, all or any part of the cost of construction, installation and acquisition of all land, buildings, structures, machinery and equipment; finance charges; extensions, enlargements, additions, replacements, renovations and improvements; engineering, financial and legal services; plans, specifications, studies, surveys, estimates of cost of revenue, administrative expenses, expenses necessary or incidental to determining the feasibility or practicability of constructing a Project; and such other expenses as the Lessor determines may be necessary or incidental to the construction, installation and acquisition of the Project, the financing of such construction, installation and acquisition, interest during construction, installation or acquisition and the placing of the Project in service.

"Credit Facility" means the Credit Facility which supports the payment and purchase of the Bonds, initially the irrevocable, direct pay letter of credit issued by the initial Credit Facility Provider.

"Credit Facility Provider" means the issuer of the Credit Facility, initially Commonwealth Bank of Australia, acting through its New York Branch.

"Credit Fees" means all fees, expenses (including attorneys' fees and expenses) and other amounts which are payable to the Credit Facility Provider under the Credit Facility Agreement.

"Event of Nonappropriation" means an event described in Section 11.

"Fiduciary Fees" means all fees, expenses (including attorneys' fees and disbursements) and other amounts payable to the Trustee, the Paying Agent, the Registrar, the Remarketing Agent and any independent certified public accountants or independent financial consultants and other consultants in connection with the Program.

"Fiscal Court" means the duly elected governing board of the Lessee or any successor to its functions.

"Fiscal Year" means the twelve (12) month period of each year commencing on July 1 and ending on the next June 30.

"Indenture" means the Trust Indenture dated as of March 1, 1989, between the Issuer, the Trustee and the Lessor and any amendments or supplements thereto.

"Independent Counsel" means an attorney duly admitted to the practice of law before the highest court in the State and who is not an employee of the Lessor or the Lessee.

"Issuer" means Pendleton County, Kentucky.

"Lease" means this Lease Agreement and any amendments or supplements hereto entered into in accordance with the provisions hereof, including the Exhibits attached hereto.

"Lessee Acquisition Account" means the account by that name established for the Lessee by the Trustee under the Indenture

"Lessee Representative" means the person or persons at the time designated to act on behalf of the Lessee for the purpose of performing any act under this Lease by a written certificate furnished to the Lessor containing the specimen signature of such person or persons and signed on behalf of the Lessee by an authorized official of the Lessee.

"Lease Rental Payments" means Base Rentals and Additional Rentals.

"Lease Term" means the term of this Lease as determined pursuant to Sections 5 and 6 hereof

"Lessee" means the Lessee identified on the cover page hereto

"Lessor" means Kentucky Association of Counties Leasing Trust, acting as lessor under this Lease, or any successor thereto acting as lessor under this Lease.

"Letter of Credit" means, as of any time, the letter of credit, if any, which is in effect at such time in accordance with the provisions of Section 22. If no Letter of Credit is required by the Credit Facility Provider, references herein to the Letter of Credit will be disregarded and of no force or effect.

"Mortgage" means the real estate mortgage on the Site from the Lessor to the Trustee (if the same is required by the terms of this Lease).

"Net Proceeds," when used with respect to any performance or payment bond proceeds or proceeds of insurance, including self-insurance, required hereunder, or any condemnation award, or any proceeds resulting from default or breaches of warranty under the construction contract or any other contract relating to the Project, or any portion thereof, or proceeds from the sale, scrapping or trade-in (in which event the proceeds from a trade-in shall be deemed to be the amount of any credit received upon such trade-in) of the Project or any portion thereof by the Lessee, means the amount remaining after deduction from such proceeds or award of (i) all expenses (including, without limitation, attorneys' fees and costs) incurred in the collection of such proceeds or award, and (ii) all other fees, expenses and payments incurred in connection with the event giving rise to such proceeds or award and due to the Lessee, the Trustee, the Credit Facility Provider, the Issuer or the Lessor.

"Paying Agent" means the paying agent for the Bonds appointed pursuant to the Indenture.

"Permitted Encumbrances" means, as of any particular time, (a) liens for taxes and assessments not then delinquent, or liens which may remain unpaid pursuant to the provisions of Section 21; (b) this Lease; (c) the Mortgage; (d) utility, access and other easements and rights of way, restrictions and exceptions which do not, in the opinion of the Independent Counsel, interfere with or impair the title to or the use and enjoyment of the Project; (e) any financing statements filed to perfect security interests created or permitted by this Lease or any Collateral Document, (f) any liens, mortgages, security interests and other encumbrances that are subject and subordinate in all respects to the liens, mortgages and security interests of this Lease, the Indenture and the Mortgage and that are (i) approved in writing by the Lessor and the Credit Facility Provider or (ii) in favor of the issuer of the Letter of Credit, and (g) such minor defects, irregularities, encumbrances and clouds on title as normally exist with respect to property of the general character of the Project and as do not, in the opinion of the Independent Counsel, materially impair title to or the use and enjoyment of the Project.

"Program Administrator" means the Lessor or such other entity or unincorporated association as may be appointed in accordance with the Indenture to administer the Program and perform the duties and obligations of Program Administrator under the Indenture.

"Project" means property the Costs of which are financed or refinanced, or the Costs of which are reimbursed hereunder, as more particularly described in Exhibit A hereto.

"Rate Swap" means an interest rate swap transaction entered into between the Lessor, as fixed rate payor, and the Credit Facility Provider, as floating rate payor, and predicated upon a corresponding interest rate swap transaction entered into between the Credit Facility Provider, as fixed rate payor, and the Swap Provider, as floating rate payor

"Rate Swap Termination" means, with respect to a Rate Swap that has become effective with respect to this Lease, the termination of such Rate Swap in accordance with its terms (whether by reason of the occurrence of an Event of Default thereunder with respect to the Lessor or Credit Facility Provider, or the occurrence of an Event of Default under, or the termination of, the interest rate swap transaction upon which such Rate Swap is predicated, or the occurrence of an Event of Default or an Event of Nonappropriation hereunder, or the expiration of the term of such Rate Swap, or otherwise)

"Registrar" means the Paying Agent or any additional entity appointed by the Issuer and CoLI to act as registrar for the Bonds

"Remarketing Agent" means the remarketing agent for the Bonds appointed pursuant to the Indenture.

"Site" means the real estate on which buildings, improvements or fixtures constituting the Project are to be constructed or installed and which is described in Exhibit A, title to which will be in the Lessor.

"State" means the Commonwealth of Kentucky.

"Swap Provider" means the provider of the interest rate swap transaction upon which a Rate Swap is predicated, initially Merrill Lynch Capital Services, Inc.

"Trustee" means the trustee at the time serving as such under the Indenture.

"Variable Lease" means a Lease with respect to which the interest component of Lease Rental Payments is computed as it relates to variable rate Bonds and there is no Rate SWAP Agreement in force with respect thereto.

Section 2. Representations, Covenants and Warranties of the Lessee. The Lessee represents, covenants and warrants that (a) it is a body politic and corporate of the State; (b) it has full power and authority to enter into and to perform its obligations under, this Lease and all related documents; (c) it has duly authorized this Lease and all related documents; (d) this Lease and all related documents are valid, legal and binding obligations of the Lessee, enforceable against the Lessee in accordance with its terms; (e) the execution and delivery of this Lease and all related documents does not conflict with or result in a breach of the terms of any agreement or instrument by which the Lessee is bound, or conflicts with or results in a violation of any provision of law or regulation applicable to the Lessee; (f) there is no action, suit, proceeding or investigation before or by any court or public body wherein an unfavorable decision would materially and adversely affect the transactions contemplated by this Lease; (g) it will not take or permit, or omit to take or cause to be taken, any action that would adversely affect the exclusion from gross income for federal income tax purposes of the designated interest component of Lease Rental Payments; (h) the Project furthers the Lessee's governmental purposes, serves a public purpose and is in the best interests of the Lessee and at the time of execution and delivery of the Lease, the Lessee intends to annually appropriate the Lease Rental Payments due hereunder; (i) during the Lease Term, the Project will at all times be used only for the purpose of performing one or more lawful governmental functions of the Lessee; (j) the estimated Costs of the Project are not less than the amount shown on Exhibit A; (k) it has not defaulted in the payment of any obligation on which it was or is the primary obligor; (l) it will comply with all procurement codes and purchasing laws and regulations applicable to it and to the Project; and (m) it will observe and comply promptly with all current and future orders of all courts having jurisdiction over the Project or any portion thereof (or be diligently and in good faith contesting such orders), and all current and future requirements of all insurance companies writing policies covering the Project or any portion thereof.

The Lessee further covenants that, to the extent then permitted by law, if this Lease is terminated by reason of an Event of Nonappropriation or an Event of Default, it will not purchase, lease or rent property performing functions similar to those performed by the Project or any portion thereof or permit functions similar to those

performed through the use of the Project or any portion thereof to be performed by its own employees or by any agency affiliated with or hired by the Lessee, for the period ending on the date of the end of the term of the Fiscal Court then in office, but this restriction will not apply if the Project or any portion thereof is sold, re-leased or otherwise disposed of by the Credit Facility Provider and the amount received (less costs of such disposition) is sufficient to pay the then applicable Optional Payment Price.

The Lessee acknowledges that this Lease is being funded with the proceeds of bonds, the interest on which is excludable from gross income under the Internal Revenue Code of 1986, as amended (the "Code"). The Lessee covenants and agrees that it will not take or omit to take any actions that would adversely affect the tax-exempt status of the Bonds.

Section 3. Representations, Covenants and Warranties of Lessor. The Lessor represents, covenants and warrants that (a) it is a trust duly created and validly existing under the laws of the State, has all necessary power and authority to perform its obligations under, this Lease, and has duly authorized the execution and delivery of this Lease; (b) the execution and delivery of this Lease does not conflict with or result in a breach of the terms of any agreement or instrument by which the Lessor is bound, or conflicts with or results in a violation of any provision of law or regulation applicable to the Lessor; (c) there is no litigation or proceeding pending or threatened against the Lessor or any other person affecting the right of the Lessor to execute or deliver this Lease or to comply with its obligations under this Lease.

Section 4. Demising Clause; Title; Security Interest. The Lessor leases the Project to the Lessee, and the Lessee leases the Project from the Lessor, in accordance with the provisions of this Lease, to have and to hold for the Lease Term.

Legal title to the Project and all fixtures, appurtenances and other permanent accessories thereto and all interests therein will be held by the Lessee, subject to Lessor's rights under this Lease. Lessor and Lessee agree that this Lease or any other appropriate documents may be filed or recorded to evidence the parties' respective interests in the Project and the Lease.

In order to secure all of its obligations hereunder, the Lessee hereby (i) grants to the Lessor a first and prior security interest in any and all right, title and interest of the Lessee in the portions of the Project that constitute personal property and in all additions, attachments, accessions, and substitutions thereto, and on any proceeds therefrom, (ii) agrees that this Lease may be filed as a financing statement evidencing such security interest, and (iii) agrees to execute and deliver all financing statements, certificates of title and other instruments necessary or appropriate to evidence such security interest.

The Lessor's interest shall terminate upon (a) the Lessee's exercise of the purchase option granted in Section 25 hereof, or (b) the complete payment and performance by the Lessee of all of its obligations hereunder; provided, however, that title shall immediately and without any action by the Lessee vest in the Lessor and the Lessee shall immediately surrender possession of the Project to the Lessor upon (i) any termination of this Lease without the Lessee exercising its option to purchase pursuant to this Lease or (ii) the occurrence of an Event of Default. In any of such cases, the Lessee agrees to execute such instruments and do such things as the Lessor reasonably requests and as may be required by law in order to effectuate transfer of any and all of the Lessee's right, title and interest in the Project, as is, to the Lessor. It is hereby acknowledged by the Lessor and the Lessee that the Lessee intends to purchase the Project on the terms set forth in this Lease.

Section 5. Duration of Lease Term; Lessee's Annual Right to Terminate; Furnishing of Budgets. The Lease Term will commence and terminate on the dates shown on the cover page hereof unless earlier terminated as provided in Section 6. If the Lessee determines, for any reason, to exercise its annual right to terminate this Lease, effective on any June 30, the Lessee must give written notice to such effect to the Lessor not later than the preceding May 31; provided that a failure to give such notice will not constitute an Event of Default, nor prevent the Lessee from terminating this Lease, nor result in any liability on the part of the Lessee (except for the payment of all Lease Rental Payments accrued prior to the termination of this Lease). The exercise by the Lessee of its annual option to terminate this Lease will be conclusively determined by the occurrence of an Event of Nonappropriation as provided in Section 11. Unless and until terminated as provided in Section 6, the Lease Term will continue in effect from fiscal year to fiscal year. The Lessee's obligations under this Lease will be subject to the Lessee's annual right to

terminate this Lease and will not constitute a mandatory charge or requirement in any future fiscal year. No provision of this Lease will be construed as creating a general obligation or other indebtedness of the Lessee within the meaning of any constitutional or statutory debt limitation. The Lessee will in any event, whether or not this Lease is to be terminated, furnish the Lessor with copies of its annual budget and appropriation ordinance (and any supplemental appropriation ordinance relating to this Lease) promptly after the budget is adopted and the appropriation ordinance (and any supplemental appropriation ordinance relating to this Lease) is enacted by the Lessee.

Section 6. Termination of Lease Term. The Lease Term will terminate upon the earliest of (a) the June 30 immediately succeeding an Event of Nonappropriation unless the Event of Nonappropriation is cured; (b) the conveyance of the Project to the Lessee pursuant to Section 25; or (c) an Event of Default and termination of this Lease as provided in Section 23.

Termination of the Lease Term will terminate all obligations of the Lessee to pay Lease Rental Payments, except the payment of all Lease Rental Payments accrued to the date of termination of this Lease, and will terminate the Lessee's rights to use, possess or occupy the Project (unless a conveyance of the Project to the Lessee has occurred).

Section 7. Enjoyment. The Lessor hereby covenants that the Lessee will during the Lease Term peaceably and quietly have and hold and enjoy the Project without suit, trouble or hindrance from the Lessor, except as expressly required or permitted by this Lease or any Collateral Document. The Lessor will, at the request of the Lessee and at the cost of the Lessee, join and cooperate fully in any legal action regarding the Project and the Lessee may, at its own expense, join in any legal action affecting the Project.

Section 8. Lease Rental Payments. The Lessee shall pay Base Rentals in the amounts and at the times set forth in Exhibit B, as said Exhibit B is in effect on the first day of each fiscal year during the Lease Term. The Lessee agrees and acknowledges that Exhibit B may be amended at any time (i) to reflect an increase in Administrative Fees, Credit Fees or Fiduciary Fees; (ii) to reamortize the principal component of Base Rentals in the event moneys are transferred from the Lessee's Lessee Acquisition Account upon completion of the Project; (iii) to reflect a change in the interest and principal component of Base Rentals if the Lessee exercises its option to convert the interest rate on this Lease to a fixed rate or enters into Rate SWAP Agreement or a SWAP term; (iv) to pay any fees associated with the early termination of a Rate SWAP Agreement; and (v) to reflect a revised estimate of the rate used to compute the interest component of Base Rentals if this Lease is a Variable Lease.

If the Lessor or the Credit Facility Provider determines that an amendment to Exhibit B is appropriate, the Lessor will mail to the Lessee a revised Exhibit B (identified by date or other means), by first class mail, postage prepaid. Said amendment will become effective and will for all purposes become a part of this Lease and will reflect Base Rentals to be paid by the Lessee for subsequent periods (unless Exhibit B is further amended as provided in this Section) upon the earlier of the acknowledgment thereof by the Lessee or automatically on the next payment date set forth in the revised Exhibit B.

The Lessee will pay Additional Rentals within fifteen (15) days after a written request therefor is mailed to the Lessee by or on behalf of the Lessor.

Any Lease Rental Payment that is not paid within 10 days of the date due will bear interest thereon at the "Default Rate" as defined in the Indenture (which, with respect to the initial Credit Facility, is the rate per annum equal to the Credit Facility Provider's prime rate plus a margin at least equal to 3%). Amounts due pursuant to this paragraph will be deemed to be Additional Rentals due and payable when incurred and without further written demand therefore. Notwithstanding anything herein to the contrary, if this Lease and any Collateral Documents are assigned and become payable exclusively to the Credit Facility Provider, the interest component of Base Rentals will be changed automatically (without any necessity to amend Exhibit B) to be equal to the "Default Rate" as defined in the Indenture (which, with respect to the initial Credit Facility, is the rate per annum equal to the Credit Facility Provider's prime rate plus a margin at least equal to 3%).

The Lessee acknowledges and agrees that if this Lease or any portion hereof constitutes a Variable Lease, (i) interest components of Base Rentals will be calculated at an assumed interest rate set forth on Exhibit B (or, if applicable, one or more amendments to Exhibit B), (ii) after notice from the Lessor, the Lessee will receive a credit against the Base Rental payable on August 1 of each Fiscal Year in an amount equal to the excess, if any, of the aggregate of the interest components of Base Rentals paid by the Lessee during the preceding Fiscal Year (at such assumed interest rate) over the Lessee's Proportionate Share of all interest paid on variable rate Bonds, and (iii) after notice from the Lessor, the Lessee will immediately pay as Additional Rentals, an amount equal to the excess, if any, of the Lessee's Proportionate Share of all interest paid or to be paid on variable rate Bonds over the aggregate of the interest components of Base Rentals then required to be paid by the Lessee (at the then assumed interest rate).

Prior to May 1 of each fiscal year during the Lease Term, the Lessor will inform the Lessee of the amount of Additional Rentals that are estimated to be payable during the next ensuing fiscal year.

The Lessee agrees and acknowledges that (a) the Trustee is authorized under the Indenture to draw amounts from the Debt Service Reserve Fund, at the direction of the Credit Facility Provider, if the Lessee fails to make any part of a Lease Rental Payment when due and (b) Exhibit B will be deemed automatically amended if the Trustee draws on such account to cure deficiencies in the payment of Lease Rental Payments, to increase the principal component of Lease Rental Payments due on the next twelve payment dates by one-twelfth of the amount so drawn and to increase the interest component of Lease Rental Payments due on such dates on the unpaid amount so drawn at the rate per annum equal to the Default Rate. Promptly following any such automatic amendment, the Lessor will mail to the Lessee a revised Exhibit B (identified by date or other means), by certified mail, postage prepaid; provided that any failure to mail such revised Exhibit B will not affect the obligation of the Lessee to make the revised Lease Rental Payment. Amounts drawn from the Debt Service Reserve Fund and applied to payment of all or any portion of Lease Rental Payments will satisfy such Lease Rental Payment to the extent so applied.

Each Lease Rental Payment will be applied first to the principal component of Base Rentals then due and payable, then as Additional Rentals then due and payable, then to the components of Base Rentals then due and payable other than the interest component and principal component, and finally to the interest component of Base Rentals then due and payable.

In the event that the Lessee fails to pay any Additional Rentals during the Lease Term, the Lessor may (but will be under no obligation to) pay such Additional Rentals, which Additional Rentals the Lessee agrees to reimburse to the Lessor on demand, together with interest thereon at the Late Payment Rate.

This Lease will be deemed and construed to be a "net lease," and the Lessee will pay absolutely net during the Lease Term, the Lease Rental Payments and all other payments required hereunder, free of any deductions, and without abatement, deduction or set-off (other than credits against Lease Rental Payments expressly provided for in this Lease). To the extent the Credit Facility Provider advances any funds for the payment of any amounts due hereunder or to cure any Event of Default hereunder, the Lessor shall immediately reimburse the Credit Facility Provider therefore with interest accrued on such amount at the Late Payment Rate.

Section 9. Manner of Payment. All Lease Rental Payments will be paid by check made payable and delivered to the Trustee. The obligation of the Lessee to pay the Lease Rental Payments and to perform and observe the covenants and conditions contained herein during the Lease Term will be absolute and unconditional except as otherwise expressly provided in this Lease, and payment of the Lease Rental Payments may not be abated through accident or unforeseen circumstances or payment of this Lease from the Debt Service Reserve Fund or damage to, destruction of, or failure to complete, the Project. Lessee will not assert any right of set-off or counterclaim against its obligation to make such payments required hereunder. No action or inaction on the part of the Lessor (or any of its assigns) will affect the Lessee's obligation to pay all Lease Rental Payment during the Lease Term.

Section 10. Expression of Lessee's Need for the Project; Determination as to Useful Life. The Lessee hereby declares its current need for the Project and further determines and declares its expectations that the Project will (so long as it is subject to the terms hereof) adequately serve the needs for which it is being acquired throughout the Lease Term. The Lessee hereby determines and declares that, to the best of its knowledge, the period during which the Lessee has an option to purchase the Project (i.e. the maximum term of this Lease) does not exceed the useful life of the Project.

Section 11. Nonappropriation by the Lessee

(a) In the event that the Lessee fails, for any reason, to duly enact by June 30 of each Fiscal Year an appropriation ordinance for the ensuing Fiscal Year which includes sufficient amounts authorized and directed to be used to pay all Base Rentals to become due during the next ensuing Fiscal Year and all Additional Rentals then due and payable and estimated to become due and payable during the next ensuing Fiscal Year (as provided in Section 8), or upon the occurrence of an event described in subsection (b) of this Section, an Event of Nonappropriation will be deemed to have occurred; subject, however, to each of the following provisos:

(i) The Lessor will declare an Event of Nonappropriation on any earlier date on which the Lessor receives official, specific written notice from the Lessee that this Lease will be terminated.

(ii) Absent such notice from the Lessee, the Lessor will give written notice to the Lessee of an Event of Nonappropriation, on or before the next July 10; but any failure of the Lessor to give such written notice will not prevent the Lessor from declaring an Event of Nonappropriation or the Lessor or the Credit Facility Provider from taking any remedial action which would otherwise be available to it.

(iii) Subject to the terms of the Indenture, the Lessor may, with the prior written consent of the Credit Facility Provider, waive any Event of Nonappropriation which is cured by the Lessee within a reasonable time.

(iv) The Lessor will waive any Event of Nonappropriation arising under subsection (a)(i) of this Section (other than an Event of Nonappropriation described in subsection (b) of this Section) which is cured by the Lessee by June 30 of the Fiscal Year, by inclusion in a duly enacted appropriation ordinance sufficient amounts authorized and directed to be used to pay all Base Rentals to become due during the ensuing Fiscal Year and all Additional Rentals then due and payable and all Additional Rentals estimated to be payable in the next ensuing Fiscal Year (as provided in Section 8).

(b) If, during any Fiscal Year, any Lease Rental Payments become due in excess of amounts included in a duly enacted appropriation ordinance for the payment of Lease Rental Payments, then, in the event that moneys are not specifically authorized and directed by the Lessee to be used to pay such Lease Rental Payments by the earlier of June 30 of the then current Fiscal Year or 90 days subsequent to the date upon which such Lease Rental Payments are due, an Event of Nonappropriation will be deemed to have occurred, upon notice by the Lessor to the Lessee to such effect (subject to waiver by the Lessor as provided in subsection (a)(iii) of this Section).

(c) If an Event of Nonappropriation occurs, the Lessee will not be obligated to make payment of the Base Rentals or Additional Rentals or any other payments provided for herein beyond the amounts specifically appropriated by the Lessee for the Fiscal Year during which such Event of Nonappropriation occurs; provided, however, that, subject to the limitations of Section 28, the Lessee will continue to be liable for Base Rentals and Additional Rentals allocable to any period during which the Lessee continues to use, occupy or retain possession of the Project.

(d) The Lessee will in all events vacate and/or surrender the Project to the Credit Facility Provider by the July 1 following an Event of Nonappropriation. The surrender of any movable personal property comprising a portion of the Project will consist of delivering such property to the Lessor at a site within the jurisdiction of the Lessee selected by the Credit Facility Provider.

(e) Upon the occurrence of an Event of Nonappropriation, all amounts on deposit in the Lessee's Lessee Acquisition Account will be applied as provided in Section 13. After the expiration of the Fiscal Year during which an Event of Nonappropriation occurs, the Credit Facility Provider may proceed to

repossess and liquidate or re-lease or otherwise dispose of the Project or any portion thereof and may take one or any combination of the steps described in Section 28.

Section 12. Agreement to Acquire, Construct and Install the Project and Lease to the Lessee. The Lessee will provide for completion of the acquisition, construction, installation and equipping of the Project by the Lessee as the agent of the Lessor. The Lessee agrees that it will do all things which may be necessary or proper for the construction, acquisition, installation and equipping of the Project, on behalf of the Lessor. So long as this Lease is in full force and effect and no Event of Default or Event of Nonappropriation has occurred, the Lessee will have full power to carry out the acts and agreements provided in this Section, and such power is granted and conferred under this Lease to the Lessee, and is accepted by the Lessee, and will not be terminated or restricted by act of the Lessor or the Trustee, except as provided in this Section. All contracts relating to the Project are hereby assigned to the Lessor. When the construction, acquisition, installation and equipping of the Project have been completed, the Lessee Representative will deliver a certificate to the Lessor stating that, except for amounts estimated by the Lessee Representative to be necessary for payment of any Costs of the Project not then due and payable, construction, acquisition, installation and equipping of the Project have been completed and all Costs of the Project have been paid and any amounts remaining in Lessee's Lessee Acquisition Account shall be applied as required under the Indenture.

Section 13. Disbursements from the Lessee's Lessee Acquisition Account. As long as no Event of Nonappropriation or Event of Default has occurred, and the Lessee's right to control acquisition, construction, installation and equipping of the Project has not otherwise been terminated, disbursements from the Lessee's Lessee Acquisition Account may be made to pay or reimburse the Lessee for Costs of the Project. The Lessee must provide to the Lessor for approval, and thereafter to the Trustee, a request for disbursement substantially in the form set forth in Exhibit F hereto.

If an Event of Nonappropriation or an Event of Default occurs prior to the completion of the Project or if the right of the Lessee to control the acquisition, construction, installation and equipping of the Project has been otherwise terminated, amounts on deposit in the Lessee's Lessee Acquisition Account may be utilized by the Lessor to complete the Project.

Section 14. Risk of Loss; Damage; Destruction. Lessee assumes all risk of loss or damage to the Project from any cause whatsoever. No loss of or damage to, or appropriation by governmental authorities of, or defect in or unfitness or obsolescence of, the Project will relieve Lessee of the obligation under this Lease. Lessee will promptly repair or replace any portions of Project lost, destroyed, damaged or appropriated which are necessary to maintain the Project in sound operating condition so that at all times during the Lease Term the Project will be able to carry out its intended functions.

The net proceeds of any insurance policies, performance bonds, condemnation awards or net proceeds received as a consequence of default or breach of warranty under a construction contract or other contract relating to the Project will be deposited in the Lessee's Lessee Acquisition Account, if received before the completion of the Project, or, if received thereafter, to be deposited in a separate trust fund held by the Trustee and will be applied in the same manner described in Section 13. The balance remaining after repair, restoration, modification, improvement or replacement of the Project has been completed will be applied to satisfy payment of Lease Rental Payments.

Section 15. Disclaimer of Warranties. THE LESSOR, THE ISSUER, THE TRUSTEE, THE CREDIT FACILITY PROVIDER AND THE OWNERS OF THE BONDS MAKE NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR FITNESS FOR USE OF THE PROJECT OR ANY PORTION THEREOF OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE PROJECT OR ANY PORTION THEREOF.

Section 16. Audited Financial Report; Notice. The Lessee will provide the Lessor with a copy of the Lessee's annual audited financial report within thirty (30) days of its receipt by the Lessee. The Lessee will immediately notify the Lessor, the Credit Facility Provider and the Trustee of any Event of Default or Event of Nonappropriation hereunder.

Section 17. Inspection and Lessee Reports. The Lessor, the Trustee, the Credit Facility Provider and their respective authorized representatives shall at any time during normal business hours have the right to enter the premises where the Project may be located for the purpose of inspecting and examining the Project and its condition, use, and operation and the books and records of the Lessee relating thereto.

Section 18. Maintenance of the Project by the Lessee. The Lessee agrees that, at all times during the Lease Term, the Lessee will maintain, preserve and keep the Project or cause the Project to be maintained, preserved and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, ordinary wear and tear excepted, and that the Lessee will from time to time promptly make or cause to be made all necessary and proper repairs, except as otherwise provided in Section 14. The Lessor, the Issuer, the Trustee, the Credit Facility Provider and the owners of the Bonds will not have any responsibility in any of these matters or for the making of any additions, modifications, improvements or replacements to the Project.

Section 19. Modification of the Project; Installation of Equipment and Machinery of the Lessee. Following acquisition of the Project, Lessee will not make any alterations, additions, substitutions or replacements to the Project which would have an adverse effect on either the nature of the Project or the functionality or value of the Project, unless such alterations, additions, substitutions, replacements or improvements may be readily removed without damage to the Project. Any alterations, additions or improvements to the Project which may not be readily removed without damage to the Project, and any substitutions or replacements, shall be and be considered to constitute a part of the Project.

The Lessee may also install machinery, equipment and other tangible property in or on the Project; provided that such machinery, equipment and other tangible property which becomes permanently affixed to the Project will be subject to this Lease if the Lessor reasonably determines that the Project would be damaged or impaired by the removal of such machinery, equipment or other tangible property.

Section 20. Provisions Regarding Casualty, Public Liability and Property Damage Insurance. The Lessee, at its expense, will cause casualty and property damage insurance with a company or self-insurance fund acceptable to the Lessor to be carried and maintained with respect to the Project in an amount equal to the aggregate principal components of Lease Rental Payments payable during the maximum term of this Lease or the replacement cost (excluding foundations) of the Project, if less than such principal components. Any casualty and property damage insurance policy required by this Section will name the Lessor, the Credit Facility Provider and the Trustee as additional named insureds and will be so written or endorsed as to make losses, if any, payable to the Trustee (for application as provided in Section 14).

The Lessee will cause public liability insurance to be carried and maintained with a company or self-insurance fund acceptable to the Lessor with respect to the Project in such amount as is approved by the Lessor. Any public liability insurance policy required by this Section will name the Lessor, the Credit Facility Provider and the Trustee as additional named insureds.

Section 21. No Encumbrance, Mortgage or Pledge of Project. The Lessee will not directly or indirectly create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Project, unless specifically consented to in writing by the Credit Facility Provider.

Section 22. Letter of Credit. If required by the Credit Facility Provider, the Lessee, prior to or simultaneously with the execution and delivery of this Lease, shall cause a letter of credit, satisfactory in form and substance to the Credit Facility Provider, to be issued by a bank satisfactory to the Credit Facility Provider (an "Approved Bank") in favor of the Trustee as security for the obligations of the Lessee under this Lease.

Section 23. Assignment by Lessor. As security for the payment and performance by the Issuer and the Lessor of all of their obligations under the Indenture and the Credit Facility Agreement, including particularly the payment of the principal of, premium, if any, and interest on the Bonds and the payment of all amounts due or to become due under the Credit Facility Agreement, the Lessor has assigned to the Trustee, under and pursuant to the Indenture, all of the Lessor's right, title and interest in, to and under this Lease and any Collateral Documents, including but not limited to the right to receive the Lease Rental Payments and other amounts due hereunder. The Lessee acknowledges and agrees that this assignment will entitle the Trustee and the Credit Facility Provider to

enforce any obligation of the Lessee hereunder and to exercise any remedy or right of the Lessor hereunder. The Lessee further acknowledges and agrees that, as provided in the Indenture, the function of the "Lessor" under this Lease may be performed by the Program Administrator (which may be a person or entity other than the Lessor) and its agents and representatives.

After the occurrence of an Event of Default or an Event of Nonappropriation (and the honoring by the Credit Facility Provider of a drawing under the Credit Facility relating thereto, as more fully described in the Indenture), this Lease will be assigned by the Lessor and the Trustee to the Credit Facility Provider. The Lessee acknowledges and consents to any such assignment; and the Lessee acknowledges and agrees that upon any such assignment, (a) the Credit Facility Provider will be the "Lessor" under this Lease for all purposes of this Lease, (b) all references in this Lease to the "Lessor" or the "Trustee" will be deemed to be references to the Credit Facility Provider, (c) all obligations of the Lessee under this Lease will be for the sole and exclusive benefit of the Credit Facility Provider and (d) all payments to be made by the Lessee under this Lease will be made to or upon the direction of the Credit Facility Provider.

Section 24. Assignment and Subleasing by the Lessee. This Lease may not be assigned by the Lessee for any reason. The Project may be subleased by the Lessee, as a whole or in part, but only with the prior written consent of the Lessor and the Credit Facility Provider.

Section 25. Purchase Option. The Lessee may, in its discretion, prepay in full its Lease Rental Payments under the Lease by paying to the Lessor the Optional Prepayment Price with respect to the Lease. The Optional Prepayment Price shall be used as provided in the Indenture. Upon payment of the Optional Prepayment Price, the Lessor will transfer and convey the Project to the Lessee pursuant to Section 4 hereof.

Section 26. Release and Indemnification Covenants. To the extent permitted by law, the Lessee will and hereby agrees to indemnify and save the Lessor, the Trustee and the Credit Facility Provider (each, an "Indemnitee") harmless against and from any or all claims, by or on behalf of any person, firm, corporation or other legal entity, and all liabilities, obligations, losses and damages whatsoever, regardless of the cause thereof and the expenses, penalties and fees in connection therewith (including counsel fees and expenses), arising from or as a result of the operation, ordering, ownership, acquisition, construction, use, condition, delivery, rejection, storage, return or management of the Project during the Lease Term, or the entering into of the Lease or any other document or instrument relating thereto (collectively, "Indemnified Claims"), including, but not limited to: (i) any condition of the Project; (ii) any act of negligence of the Lessee or of any of the agents, contractors or employees or any violation of law by the Lessee or breach of any covenant or warranty by the Lessee hereunder; (iii) any accident in connection therewith resulting in damage to property or injury or death to any person; and (iv) the incurring of any cost or expense in connection with the acquisition of the Project in excess of the moneys available therefor in the Lessee's Lessee Acquisition Account. To the extent permitted by law, the Lessee will indemnify and save each Indemnitee harmless from any such Indemnified Claim, or in connection with any action or proceeding brought thereon and, upon notice from such Indemnitee, will defend or pay the cost of defending such Indemnitee, in any such action or proceeding.

The indemnification arising under this Section will continue in full force and effect notwithstanding the full payment of all obligations under this Lease or the termination of this Lease for any reason.

Section 27. Events of Default Defined. The following will be "Events of Default" under this Lease and the term "Event of Default" or "Default" will mean, whenever it is used in this Lease, any one or more of the following events:

- (a) Failure by the Lessee to pay any Lease Rental Payments at the time specified herein;
- (b) failure by the Lessee to vacate or surrender the Project by the July 1 following an Event of Nonappropriation as provided in Section 11;
- (c) failure by the Lessee to observe or perform any covenant, condition or agreement on its part to be observed or performed, other than referred to in subsection (a) or (b) of this Section, for a period of 30 days

after written notice specifying such failure and requesting that it be remedied will have been given to the Lessee by the Lessor unless the Lessor agrees in writing to an extension of such time prior to its expiration.

Promptly after any principal executive or financial officer of the Lessee has obtained actual knowledge of any Event of Default or Event of Nonappropriation hereunder, the Lessee will immediately notify the Lessor and the Credit Facility Provider of such Event of Default or Event of Nonappropriation.

Section 28 Remedies on Default. Whenever any Event of Default has occurred and is continuing, the Lessor may (or upon direction of the Credit Facility Provider shall) or the Credit Facility Provider may, without any further demand or notice, take one or any combination of the following remedial steps:

- (a) Terminate the Lease Term and give notice to the Lessee to vacate or surrender the Project within 60 days from the date of such notice;
- (b) sell or re-lease the Project or any portion thereof;
- (c) recover from the Lessee:
  - (i) the Lease Rental Payments which would otherwise have been payable hereunder during any period in which the Lessee continues to use, occupy or retain possession of the Project; and
  - (ii) Lease Rental Payments which would otherwise have been payable hereunder after the Lessee vacates or surrenders the Project during the remainder of the fiscal year in which such Event of Default occurs; or
- (d) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Project under this Lease and any Collateral Documents (including, without limitation, the right to possession of the Project and the right to sell or re-lease or otherwise dispose of the Project in accordance with applicable law), subject, however, to the limitations contained in this Lease with respect to the Lessee's obligations upon the occurrence of an Event of Nonappropriation; and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the Lessee of the applicable covenants and agreements of the Lessee under this Lease (subject, however, to the limitations thereon contained in this Lease) and to recover damages for the breach thereof.

No remedy herein conferred upon or reserved to the Lessor is intended to be exclusive, and every such remedy will be cumulative and will be in addition to every other remedy given hereunder and every remedy now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right or power and any such right and power may be exercised from time to time and as often as may be deemed expedient. If any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach hereunder.

The Lessee will remain liable for all covenants and obligations under this Lease, and for all legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction, incurred by the Lessor with respect to the enforcement of any of the remedies under this Lease, when a court of competent jurisdiction has finally adjudicated that an Event of Default has occurred.

The Lessor and the Lessee agree, to the extent permitted by law, that in the case of a termination of the Lease Term by reason of an Event of Default, neither the Lessor nor the Lessee nor any one claiming through or under either of them will or will set up, claim or seek to take advantage of any appraisement, valuation, stay, extension or redemption laws now or hereafter in force in order to prevent or hinder the enforcement of this Lease; and the Lessor and the Lessee, for themselves and all who may at any time claim through or under either of them, each hereby waives, to the full extent that it may lawfully do so, the benefit of all such laws.

In the event that the Lessee defaults under any of the provisions hereof and the Lessor, the Trustee or the Credit Facility Provider employs attorneys or incurs other expenses for the collection of Lease Rental Payments, or the enforcement of performance or observance of any obligation or agreement on the part of the Lessee herein contained, the Lessee agrees that it will appropriate funds for and pay on demand therefore to the Lessor, the Trustee or the Credit Facility Provider, as applicable, the fees of such attorneys and such other expenses so incurred by the Lessor, the Trustee or the Credit Facility Provider, if applicable.

Section 29. Notices. All notices, certificates, requests or other communications hereunder will be sufficiently given and will be in writing and mailed (postage prepaid, and certified or registered with return receipt requested) or delivered (including delivery by courier service) as follows: if to the Lessor, to Kentucky Association of Counties Leasing Trust, 190 King's Daughters Drive, P. O. Box 4207, Frankfort, Kentucky 40604-4207, Attention: Executive Director, if to Issuer, to Pendleton County, 233 Main Street, Room 4, Falmouth, Kentucky 41040, Attention: County Judge/Executive, if to Trustee, to Bank One, Kentucky, NA, 426 Jefferson, Louisville, Kentucky 40232, Attention: Corporate Trust Department, if to Credit Facility Provider, to Commonwealth Bank of Australia, New York Branch, 99 Lexington Avenue, 18th Floor, New York, New York 10022, Attention: Lending, if to the Lessee, to the address shown on the cover page hereof. Any of the foregoing may, by notice given hereunder to each of the others, designate any further or different addresses to which subsequent notices, certificates, requests or other communications will be sent hereunder. All notices, certificates, requests and other communications pursuant to this Lease will be effective when received (if given by mail) or when delivered (if given by delivery).

Section 30. Amendments, Changes and Modifications. Except as provided in Section 8 with respect to Exhibit B, this Lease may not be amended, changed, modified or altered, or any provision hereof waived, without the written consent of the Lessor and the Lessee.

Section 31. Third Party Beneficiary. No person other than a party hereto, the Trustee and the Credit Facility Provider, will have any right, remedy or claim under or by reason of this Lease or otherwise be a third party beneficiary of any rights, remedies, claims or agreements hereunder. The parties hereto acknowledge and agree that the Credit Facility Provider will be a third party beneficiary of all rights, remedies, claims or agreement hereunder, with the right to enforce the same, with the same effect as though the Credit Facility Provider was a party hereto.

Section 32. Conversion of Interest Rate. If this Lease or any portion hereof constitutes a Variable Lease, the Lessee may elect to have the interest rate under this Lease converted to a fixed rate upon the terms and conditions set forth in the Indenture; provided, however, that the Lessee must have appropriated sufficient funds to pay all Lease Rental Payments due in accordance with the amendment to Exhibit B to be delivered in connection with such conversion (as described in Section 8).

Section 33. Lessee's Acknowledgment of the Bonds and Credit Facility. The Lessee acknowledges (i) that this Lease and the financing by the Lessor of the Project is a part of the Program; (ii) that the payment and purchase of the Bonds is supported by the Credit Facility issued by the Credit Facility Provider; and (iii) that the Lease Rental Payments under this Lease, together with lease rental payments under all other leases entered into by Lessors under the Program, are and will be applied to (A) pay the principal and premium, if any, and interest on the Bonds, (B) reimburse the Credit Facility Provider for all amounts paid by it under the Credit Facility to pay the Bonds, (C) pay interest, fees and other amounts due and owing to (including advances made by) the Credit Facility Provider under the Credit Facility Agreement, and (D) pay all other costs and expenses of the Program. The Lessee acknowledges and consents to the assignment by the Issuer, pursuant to the Indenture, and by the Lessor, pursuant to the Indenture and Section 23 hereof, to the Trustee, for the equal and ratable benefit of the Owners of the Bonds, of all right, title and interest of the Issuer and the Lessor, respectively, in, to and under this Lease.

Section 34. Further Assurances and Corrective Instruments. The Lessor and the Lessee agree that they will, from time to time, at the Lessee's expense, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Project hereby leased or intended so to be, or for otherwise carrying out the intention hereof.

Section 35. Lessee Representative Whenever under the provisions hereof the approval of the Lessee is required to take some action at the request of the Lessor, unless otherwise provided, such approval or such request will be given for the Lessee by the Lessee Representative and the Lessor will be authorized to act on any such approval or request.

Section 36. Waivers In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach hereunder. The Lessor may not waive any breach by the Lessee hereunder without the written consent of the Credit Facility Provider

Section 37. Miscellaneous This Lease will inure to the benefit of and will be binding upon the Lessor and the Lessee and their respective successors and assigns (including, without limitation, security assigns). This Lease may be simultaneously executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument. This Lease will be governed by and construed in accordance with the laws of the State. The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Lease. If any provision of this Lease, other than the requirement of the Lessee to pay Lease Rental Payments and the requirement of the Lessor to provide quiet enjoyment of the Project and to convey the Project to the Lessee under the conditions set forth herein, is held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision hereof.

IN WITNESS WHEREOF, the Lessor has executed this Lease in its name; and the Lessee has caused this Lease to be executed in its name and attested by duly authorized officers thereof. All of the above are effective as of the date first above written.

KENTUCKY ASSOCIATION OF COUNTIES LEASING TRUST, as Lessor

By: \_\_\_\_\_  
Grant Satterly, Program Director

COUNTY OF LIVINGSTON, KENTUCKY, as Lessee

By: \_\_\_\_\_  
Christopher Lasher, County Judge/Executive

Attest:

By: Tana Doom  
Tana Doom, Fiscal Court Clerk

EXHIBIT A

DESCRIPTION OF PROJECT  
(including site description)

ESTIMATED COST OF THE PROJECT            \$3,300,000

ESTIMATED DATE OF COMPLETION OF THE PROJECT:

DESCRIPTION

*To finance the purchase of all capital assets of the Ledbetter Sanitation District.*

EXHIBIT B  
LEASE RENTAL PAYMENTS

EXHIBIT C

Void

FORM OF RESOLUTION  
RESOLUTION NO \_\_\_\_\_

SEE Attached Exhibit  
C & C-1

A RESOLUTION APPROVING A LEASE FOR THE FINANCING OF A PROJECT AND AUTHORIZING THE EXECUTION OF VARIOUS DOCUMENTS RELATED TO SUCH LEASE.

WHEREAS, the governing body of the County of Livingston, Kentucky (the "Lessee") has the power, pursuant to Section 65.940 et seq. of the Kentucky Revised Statutes to enter into lease agreements with or without the option to purchase in order to provide for the use of property for public purposes;

WHEREAS, the governing body of the Lessee (the "Governing Body") has previously determined, and hereby further determines, that the Lessee is in need of the Project, as defined in the Lease hereinafter described;

WHEREAS, the Governing Body has determined and hereby determines that it is in the best interests of the Lessee that the Lessee and the Kentucky Association of Counties Leasing Trust (the "Lessor") enter into a Lease Agreement (the "Lease") for the leasing by the Lessee from the Lessor of the Project;

NOW THEREFORE BE IT ORDERED AND RESOLVED BY THE FISCAL COURT OF THE COUNTY OF LIVINGSTON, KENTUCKY:

Section 1. Recitals and Authorization. The Lessee hereby approves the Lease Agreement (the "Lease") and all Collateral Documents, as defined in the Lease, each in substantially the form presented to this Governing Body. It is hereby found and determined that the Project identified in the Lease is public property to be used for public purposes. It is further determined that it is necessary and desirable and in the best interests of the Lessee to enter into the Lease for the purposes therein specified, and the execution and delivery of the Lease and all representations, certifications and other matters contained in the Closing Memorandum with respect to the Lease, or as may be required by the Lessor prior to delivery of the Lease, are hereby approved, ratified and confirmed. The County Judge/Executive and Fiscal Court Clerk of the Lessee are hereby authorized to execute the Lease, together with such other agreements or certifications which may be necessary to accomplish the transaction contemplated by the Lease.

Section 2. Severability. If any section, paragraph or provision of this Resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this Resolution.

Section 3. Sunshine Law. This Governing Body hereby finds and determines that all formal actions relative to the adoption of this Resolution were taken in an open meeting of this Governing Body, and that all deliberations of this governing Body and of its committees, if any, which resulted in formal action, were in meetings open to the public, in full compliance with applicable legal requirements.

Section 4. Conflicts. All resolutions, orders or parts thereof in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed and the provisions of this Resolution shall prevail and be given effect.

Section 5. Effective Date. This Resolution shall take effect from and after its passage, as provided by law.

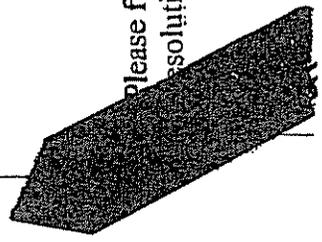
INTRODUCED, SECONDED AND ADOPTED, at a duly convened meeting of the Governing Body, held on \_\_\_\_\_, signed by the County Judge/Executive of the Lessee, attested by the Fiscal Court Clerk, filed and indexed as provided by law.



Please fill in the date if resolution was passed.

COUNTY OF LIVINGSTON, KENTUCKY, as Lessee

By: \_\_\_\_\_  
Christopher Lasher, County Judge/Executive



Attest:

By: \_\_\_\_\_  
Tana Doom, Fiscal Court Clerk

**SIGN  
HERE**

**LEDBETTER SANITATION DISTRICT**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2006**

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# WALKER & ASSOCIATES, C.P.A.'S, PLLC.

CERTIFIED PUBLIC ACCOUNTANTS

60 Lakeview Drive, Suite 1 • Paducah, KY 42001  
Phone: (270) 554-9190 • Fax: (270) 554-9660

## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Ledbetter Sanitation District  
Ledbetter, Kentucky

We have audited the accompanying Statement of Net Assets of Ledbetter Sanitation District as of December 31, 2006, and the related Statements of Revenues, Expenses and Changes in Net Assets and Statement of Cash Flows for the year then ended. These financial statements are the responsibility of the Sanitation District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of Ledbetter Sanitation District, as of December 31, 2006, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 6, and page 16, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2008, on our consideration of the Ledbetter Sanitation District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Walker & Associates CPA'S PLLC*

Paducah, Kentucky  
September 9, 2008

**REQUIRED SUPPLEMENTAL INFORMATION**

**LEDBETTER SANITATION DISTRICT  
LEDBETTER, KENTUCKY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

This discussion and analysis of the Ledbetter Sanitation District (the District) is offered by management as a narrative overview of the financial activities of the District for the year ended December 31, 2006. This information should be considered in conjunction with the District's financial statements that follow.

**Financial Highlights**

- Operating Revenues increased by \$11,845, or 4.3%.
- Operating expenses, less depreciation, increased by \$33,351 or 21%. The most notable factors were an increase in salaries and benefits of \$20,990 (34%), and an increase in repairs and maintenance of \$18,602 (266%).
- Operating income excluding depreciation, decreased by \$21,510, or 18%.
- This year the District was again unable to service the debt to the Kentucky Infrastructure Authority (KIA). Progress has been made on restructuring this debt. The District has started making some interest payments. Interest expense on capital debt increased by \$83,087.
- The District was again unable to make their scheduled annual deposit to its Repair and Maintenance Reserve account of \$22,000.

**Using This Annual Report**

This annual report consists of a series of financial statements: The Statement of Net Assets, The Statements of Revenues, Expenses and Changes in Net Assets and The Statement of Cash Flows. These statements provide information about the activities of the District and present a long-term view of the finances.

**The Statement of Net Assets**

The Statement of Net Assets includes all the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). The difference between assets and liabilities is reported as net assets. Over time increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Ledbetter Sanitation District  
Management Discussion and Analysis

**The Statement of Revenues, Expenses and Changes in Net Assets**

The Statement of Revenues, Expenses and Changes in Net Assets identifies revenues generated, expenses incurred and net assets changed during the period reported. This statement measures the success of the District's operations over the reporting period and can be used to determine if the District has successfully recovered all its cost through its water rates and other charges.

**The Statement of Cash Flows**

The Statement of Cash Flows provides information relating to the District's cash receipts and cash disbursements during the fiscal year. The statement reports net changes in cash resulting from operations, investing, and financing activities and helps the user assess where cash came from, what cash was used for, and what changes occurred in cash balances during the reporting period.

The Management Discussion and Analysis is intended to explain the significant changes in financial position and differences in operation between the current and prior years. When possible, significant changes from the prior year are explained in the following paragraphs.

A condensed version of the Statement of Net Assets at December 31, 2006, follows:

**Net Assets at Year End**

**Assets:**

Cash	\$	285,207
Receivables		18,704
Other current assets		11,301
Utility plant, less accumulated depreciation		<u>3,152,377</u>
Total assets		<u>3,467,589</u>

**Liabilities:**

Accounts payable	\$	6,064
Accrued expenses		52,692
Long term debt		<u>3,320,000</u>
Total liabilities	\$	<u>3,378,756</u>

**Net assets:**

Capital assets, net of related debt	\$	(167,623)
Restricted for debt service		124,970
Unrestricted		<u>131,486</u>
Total net assets	\$	<u>88,833</u>

Ledbetter Sanitation District  
 Management Discussion and Analysis

A condensed version of the Statement of Activities follows:

Operating revenues:	\$ 276,103
Operating expenses:	<u>267,169</u>
Operating income	8,934
Nonoperating revenue and expense	(10,422)
Change in net assets	(1,488)
Beginning net assets	<u>90,321</u>
Net assets, December 31, 2004	<u>\$ 88,833</u>

Capital Assets

Capital assets at year end:

Land	\$ 97,860
Utility assets	3,922,026
Furniture and equipment	63,597
Vehicles	<u>38,465</u>
	\$ 4,121,948
Less: Accumulated depreciation	<u>(969,571)</u>
	<u>\$ 3,152,377</u>

At December 31, 2006, the District had \$3,152,377 invested in capital assets, including utility assets, buildings, furniture and equipment, and vehicles.

**Budgetary Highlights**

The District operates its general activities in accordance with a budget adopted by its Board. Furthermore, the District is required by its Revenue Bond Resolutions to adopt an annual appropriation budget for its general operating activities. The District's operating revenue was \$22,492 less than budgeted. With the exception of the depreciation, operating expenses were \$26,823 more than budgeted.

Ledbetter Sanitation District  
Management Discussion and Analysis

**Currently Known Facts, Decisions or Conditions**

During 2006 the Ledbetter Sanitation District began making interest payments to Kentucky Association of Counties (KACo). The interest rate was originally set at 2.9%. However, because of delays in finalizing the financial arrangements, over which the District had no control, KACo raised the interest rate to 4.3%. KACo agreed to hold monthly payments to the dollar amount set up by the Interlocal Agreement, but the District will, in the end, pay the increase in interest.

When refinancing is complete the District should owe KIA approximately \$2,326,000 at a rate of 0.0% interest, and it will owe KACo approximately \$1,000,000 at a rate of 2.9% interest. The District awaits the completion of this process.

**Contacting the District's Financial Management**

This Financial Report is designed to provide a general overview of the District's Finances, comply with finance-related laws and regulations, and demonstrate the District's commitment to public accountability. If you have any questions about the report or need additional information, contact the District Manager at the address below:

District Manager  
Ledbetter Sanitation District  
1483 US Highway 60 West  
Ledbetter, Kentucky 42058

LEDBETTER SANITATION DISTRICT  
STATEMENT OF NET ASSETS  
As of December 31, 2006

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 235,698
Accounts receivable	17,921
Receivable from Water District	44,244
Other current assets	4,062
	<u>301,925</u>

CAPITAL ASSETS

Utility plant in service	4,124,665
Less accumulated depreciation	<u>(1,079,682)</u>
	<u>3,044,983</u>

Total assets	<u>\$ 3,346,908</u>
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LIABILITIES

CURRENT LIABILITIES

Notes payable - short term portion	\$ 116,304
Accounts payable, trade	24,680
Other accrued expenses and current liabilities	14,383
	<u>155,367</u>

NONCURRENT LIABILITIES

Sanitation district (revenue bonds)	<u>3,209,774</u>
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Total liabilities	<u>\$ 3,365,141</u>
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NET ASSETS

Invested in capital assets, net of related debt	\$ (281,095)
Restricted for debt service	126,911
Unrestricted	135,951
	<u>135,951</u>
Total net assets	<u>\$ (18,233)</u>

See accompanying notes to basic financial statements

LEDBETTER SANITATION DISTRICT  
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 For the Year Ended December 31, 2006

OPERATING REVENUES:	
Sewer revenue	\$ 282,170
Miscellaneous revenues	<u>5,778</u>
Total operating revenues	<u>287,948</u>
OPERATING EXPENSES:	
Salaries and benefits	81,884
Chemicals	9,454
Utilities	23,898
Maintenance and repairs	25,591
Operating Supplies	13,846
Travel and training	-
Depreciation	110,111
Office supplies & expense	8,808
Professional fees and outside services	6,946
Vehicle Expenses	8,785
Insurance	3,803
Meter reading	5,419
Wastewater testing	3,173
Miscellaneous	<u>264</u>
Total operating expenses	<u>301,982</u>
OPERATING INCOME	(14,034)
NON-OPERATING REVENUES (EXPENSES):	
Interest income	943
Interest expense	<u>(93,975)</u>
Net non-operating expenses	<u>(93,032)</u>
CHANGE IN NET ASSETS	(107,066)
Net assets, beginning-of-year	<u>88,833</u>
Net assets, end-of-year	<u>\$ (18,233)</u>

See accompanying notes to basic financial statements

LEDBETTER SANITATION DISTRICT  
STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 288,731
Payments to suppliers	(166,685)
Payments to employees	<u>(81,884)</u>
Net cash provided by operating activities	40,162

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisitions of capital assets	(2,717)
Principal paid on capital debt	6,078
Interest paid on capital debt and customer deposits	<u>(93,975)</u>
Net cash used by capital and related financing activities	(90,614)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	<u>943</u>
Net cash provided by investing activities	<u>943</u>

Net increase in cash and cash equivalents	(49,509)
Cash and cash equivalents, beginning-of-year	<u>285,207</u>
Cash and cash equivalents, end-of-year	<u><u>\$ 235,698</u></u>

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED  
BY OPERATING ACTIVITIES:

Operating income	\$ (14,034)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	110,111
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	783
(Increase) decrease in other current assets	(37,005)
Increase (decrease) in accounts payable trade	18,616
Increase (decrease) in customer deposits	(42,009)
Increase (decrease) in accrued expenses	<u>3,700</u>
Net cash provided by operating activities	<u><u>\$ 40,162</u></u>

See accompanying notes to basic financial statements

**LEDBETTER SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2006**

**Note A – Entity**

The Ledbetter Sanitation District was organized as a special district in accordance with KRS 65.005 on January 7, 1964. The governing body of the district is made up of four commissioners and a secretary-treasurer.

**Note B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Accounting Method**

The Ledbetter Sanitation District maintains its books, and these financial statements are presented, on the accrual basis of accounting. The significant accounting policies, as summarized below, are in conformity with generally accepted accounting principles as applicable to governmental units as prescribed by the governmental Accounting Standards Board (GASB) unless those principles conflict with or contradict GASB pronouncements, in which case, GASB prevails.

**Basis of Presentation**

The Ledbetter Sanitation District implemented GASB Statement No. 34, “Basic Financial Statements-and Management’s Discussion and Analysis – for state and local Governments” in 2004, which establishes a new financial reporting model for state and local governments. Changes instituted in Ledbetter Water District’s financial reporting in 2004 include:

**Accounts Receivable**

Customer accounts receivable represent gross receivables due from customers. No allowance for doubtful accounts has been provided since it is believed that the balance in accounts receivable is collectible. The effect of using this method rather than the allowance method is immaterial.

**Capital Assets**

Capital Assets consist of property, plant and equipment necessary for administration and operation of a wastewater treatment utility. Capital assets are recorded at cost and depreciation is calculated using the straight-line method over the estimated useful lives of the various classes of assets as follows:

	<u>Years</u>
Utility plant	35-50
Office furnishing and equipment	5-10

**Capital Contributions**

Contributions in aid of construction are derived from two main sources: 1) developers, when they construct and pay for sewer lines and then donate these additions to the District; and 2) other government, in the form of grant contributions for property, plant or equipment. Developer contributions are recorded at the developer’s cost and are depreciated over their estimated useful lives using the straight-line-method.

**LEDBETTER SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2006

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE C – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2006 was as follows:

	Beginning Balance	Increase	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 97,860	\$ -	\$ -	\$ 97,860
Total capital assets not being depreciated	97,860	-	-	97,860
Other Capital Assets				
Utility assets (pipes, pumps, plants, structures)	3,922,026	-	-	3,922,026
General and office equipment	63,597	2,717	-	66,314
Vehicles	38,465	-	-	38,465
Total other capital assets at historical cost	4,024,088	2,717	-	4,026,805
Less accumulated depreciation	(969,571)	(107,941)	-	(1,079,682)
Other capital assets, net	3,054,517	(107,944)	-	2,947,123
Total capital assets, net	<u>\$ 3,152,377</u>	<u>\$ (107,944)</u>	<u>\$ -</u>	<u>\$ 3,044,983</u>

**NOTE D – NOTES PAYABLE**

The District acquires debt to provide funds for the acquisition and construction of utility capital assets. At the beginning of 2005 the district's note of \$3,343,178 to the Kentucky Infrastructure Authority (KIA) was in default and the district was negotiating with KIA to restructure the note. During the year KIA extended the district a short term note of \$3,320,000 to pay off the original note, and to facilitate the restructuring of the financing through KIA and the Kentucky Association of Counties (KaCo). The district paid interest payments on this short term loan through the year end.

**LEDBETTER SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2006

Subsequent to year end the note restructuring was completed and new repayment schedules were negotiated. The ultimate result of the restructure is a note to KIA and a capital lease to the KACo with details as follows:

	Kentucky Association of Counties (KACo)	Kentucky Infrastructure Authority (KIA)
Principal amount borrowed	\$ 1,000,000	\$ 2,326,078
Interest rate	5.032%	Zero
Term	364 months	240 months
Paid	Monthly	Semi Annually
Principal payments begin	2/20/2013	6/1/2007

**NOTE D – NOTES PAYABLE, (Continued)**

The new capital lease to KACo capitalizes a portion of the interest calculation for the first 59 payments, reducing the monthly payments required to be paid by the district for those months.

The following is a schedule of future minimum lease and principal requirements for the capital lease and note shown above.

Year Ended	KACo Lease	KIA Note	Total Requirements
2007	\$ 6,362	\$ 116,304	\$ 122,666
2008	23,000	116,304	139,304
2009	33,502	116,304	149,806
2010	33,502	116,304	149,806
2011	34,803	116,304	151,107
2012	35,000	116,304	151,304
Thereafter	2,082,675	1,628,254	3,710,929
	<u>\$ 2,248,844</u>	<u>\$ 2,326,078</u>	<u>\$ 4,574,922</u>

The note and the lease are secured and by an exclusive pledge of a fixed portion of gross revenues of the District's system as now or hereafter constituted, and additionally secured by a statutory lien on the District's system.

**LEDBETTER SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2006**

**NOTE E – LEDBETTER WATER DISTRICT – RELATED PARTY**

As of December 31, 2005, Ledbetter Sanitation District is owned by the Ledbetter Water District. Both districts are governed by the established Water District Board of Commissioners. Separate accounts and funds are kept for each district in accordance with state law and debt requirements. These financial statements do not include the records of the Water District. A separate report will be issued for the Water District.

The District shares costs with the Ledbetter Water District. The largest portion of this is the payroll costs of the District's employees. The District reimburses the Water District for the time employees spend on Sanitation District issues. This includes reimbursement for salary, taxes, retirement benefits and other costs incurred by the District. The accounting is tracked using individual employee time sheets. Settlement is made at the conclusion of each pay period. For 2006 the total reimbursements for payroll related costs paid to the Water District is \$85,422. Without this relationship, employee costs for the Sanitation District would be significantly higher as they would be required to hire their own separate staff.

**NOTE F – RISK MANAGEMENT**

The District is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To handle the risk of loss, the District purchases necessary insurance from commercial insurance carriers.

**NOTE G – CASH DEPOSITS**

The District deposits its cash with financial institutions that are insured by the FDIC. As of December 31, 2005, the district had \$285,207 deposited in FDIC insured accounts, deposits in excess of FDIC insured limits were \$60,236.

**NOTE H – DISCLOSURES REGARDING STATEMENT OF CASH FLOW**

**Cash and Cash Equivalents**

For purposes of the Statement of Cash Flow, cash and cash equivalents consist of bank deposits and certificates of deposit having original maturity of three months or less.

**NOTE I – BOND COVENANT COMPLIANCE**

The District, as of December 31, 2006, did not have the balances required by their lease and note agreements in the Bond Sinking Fund accounts, the Depreciation Reserve account, or the Operation and Maintenance account. Sufficient cash and cash equivalents were available to meet the districts current obligations to the funds, but the cash deposits were not segregated as required by the loan covenants.

**REQUIRED SUPPLEMENTAL INFORMATION**

LEDBETTER SANITATION DISTRICT  
BUDGET COMPARISON  
Years Ended December 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES:</b>			
Sewer revenue	\$ 301,200	\$ 282,170	\$ (19,030)
Miscellaneous revenues	<u>9,240</u>	<u>5,778</u>	<u>(3,462)</u>
Total operating revenues	310,440	287,948	(22,492)
<b>OPERATING EXPENSES:</b>			
Salaries and benefits	61,705	81,884	20,179
Chemicals	12,566	9,454	(3,112)
Utilities	22,010	23,898	1,888
Maintenance and repairs	10,031	25,591	15,560
Operating Supplies	17,443	13,846	(3,597)
Travel and training	285	-	(285)
Depreciation	-	110,111	110,111
Office supplies & expense	3,839	8,808	4,969
Professional fees and outside services	2,647	6,946	4,299
Vehicle Expenses	5,306	8,785	3,479
Insurance	16,408	3,803	(12,605)
Meter reading	5,429	5,419	(10)
Wastewater testing	2,773	3,173	400
Miscellaneous	<u>4,606</u>	<u>264</u>	<u>(4,342)</u>
Total operating expenses	<u>165,048</u>	<u>301,982</u>	<u>136,934</u>
<b>OPERATING INCOME</b>	145,392	(14,034)	(159,426)
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest income	289	943	654
Interest expense	<u>(145,681)</u>	<u>(93,975)</u>	<u>51,706</u>
Net nonoperating expenses	<u>\$ (145,392)</u>	<u>(93,032)</u>	<u>\$ 52,360</u>
<b>CHANGE IN NET ASSETS</b>		(107,066)	
Net assets, beginning of year		<u>88,833</u>	
Net assets, end of year		<u>\$ (18,233)</u>	

See accompanying notes to basic financial statements

# WALKER & ASSOCIATES, C.P.A.'S, PLLC.

## CERTIFIED PUBLIC ACCOUNTANTS

60 Lakeview Drive, Suite 1 • Paducah, KY 42001  
Phone: (270) 554-9190 • Fax: (270) 554-9666

### **Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards***

Board of Commissioners  
LEDBETTER SANITATION DISTRICT  
Ledbetter, Kentucky

We have audited the financial statements of Ledbetter Water District as of and for the year ended December 31, 2006, and have issued our report there on date September 9, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **COMPLIANCE**

As part of obtaining reasonable assurance about whether Ledbetter Sanitation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of the tests disclosed that at December 31, 2006, the District did not have the balances required by their debt agreements in the Sinking Fund accounts, the Depreciation Reserve account, or the Operation and Maintenance account. Sufficient cash and cash equivalents were available to meet all of the district's current obligations to the funds, but the cash deposits were not segregated as required by the district's bond covenants.

#### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

The management of the District is responsible for establishing and maintaining effective internal control. In planning and performing our audit, we considered Ledbetter Sanitation District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

Ledbetter Sanitary District  
Report on Compliance

We noted certain matters involving internal control and its operation that we consider to be control deficiencies under standards established by the American Institute of Certified Public Accountants. Control deficiencies involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Project's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements or to comply with applicable laws and regulations.

- There is a lack of separation of duties between employees that collect receipts, prepare disbursements, and reconcile the checking accounts. Internal controls are considered weak when one person handles receipts and disbursements, records activity and reconciles balances.
- The District is not in compliance with the covenants required by their debt agreements as regards deposits in the Sinking Funds, the Depreciation Reserve Fund and the Operation and Maintenance account.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited or that noncompliance with laws and regulations that would be material may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters of internal control that might be control deficiencies and, accordingly, would not necessarily disclose all control deficiencies that are also considered to be material weaknesses as defined above. However, we do not believe the control deficiencies described above are material weaknesses.

This report is intended solely for the information and use of the Ledbetter Water District's commissioners and management, the Public Service Commission and the Farmers Home Administration and is not intended to be and should not be used by anyone other than these specified parties.

*Walker Associates CPAs PLLC*

Paducah, Kentucky  
September 9, 2008

# WALKER & ASSOCIATES, C.P.A.'S, PLLC.

CERTIFIED PUBLIC ACCOUNTANTS

60 Lakeview Drive, Suite 1 • Paducah, KY 42001  
Phone: (270) 554-9190 • Fax: (270) 554-9668

## SUPPLEMENTAL LETTER OF COMMENTS

Board of Commissioners  
LEDBETTER SANITARY DISTRICT  
Ledbetter, Kentucky

We have audited the financial statements of Ledbetter Water District (the District) for the year ended December 31, 2006, and have issued our report thereon dated September 9, 2008.

In connection with that audit, we have prepared the following comments, as required by the USDA Rural Development, formerly the Farmers Home Administration:

- a) We conducted our audit in accordance with auditing standards generally accepted in the United States of America;
- b) We evaluated the District's system of internal control and have reported on the system in a separate letter, included as a part of this report on page 18;
- c) The accounting records were adequate with recommendations for improvement during 2005 partially implemented during 2006;
- d) Adequate controls are maintained over physical assets;
- e) Except as reported in Note K to the financial statements (regarding the maintenance of separate cash accounts as required by their loan covenants), the District complied with all loan agreements;
- f) All differences found during the audit of the accounting records have been adjusted for in the records;
- g) Kinds and amounts of insurance are as follows:
  - a. Property insurance: \$2,288,558 per occurrence
  - b. Liability insurance \$2,000,000 each occurrence
  - c. Worker's compensation: As required by law
  - d. Public employee dishonesty: \$100,000
- h) There were two control deficiencies that were noted for the year. They were:
  - a. There is a lack of separation of duties between employees that collect receipts, prepare disbursements, and reconcile the checking account.

Ledbetter Sanitation District  
Supplemental Letter of Comments

- b. The District is not in compliance with the covenants required by their debt agreements as regards deposits in the Sinking Funds and the Depreciation Reserve Fund. (As mentioned in e, above).
- i) Accounts receivables are all current as of December 31, 2006, \$17,921.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Ledbetter Sanitation District taken as a whole. The supplemental information listed in this letter is not considered necessary for a fair presentation of Ledbetter Sanitation District's financial position, results of operations, or cash flows in conformity with accounting principles generally accepted in the United States of America. This information, however, was subjected to the same auditing procedures applied in our audit of the financial statements and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Walkert Associates CPAs PLLC*

Paducah, Kentucky  
September 9, 2008